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THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

Mr Jim Sylph
Executive Director, Professional Standards
International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017
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By email

Dear Mr Sylph

Proposed Redrafted ISA 610 *The Auditor's Consideration of the Internal Audit Function*

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on Proposed Redrafted ISA 610 published by IAASB in December 2006.

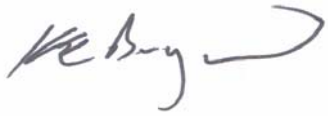
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Overall, we believe that the clarification reformatting has resulted in a more readable and user-friendly document than previous versions. However, changes to both the objective and requirements are needed to ensure consistency of interpretation and improved audit quality, as explained below.

A previous draft of this standard contained a mandatory requirement for auditors to test a portion of internal audit's work in circumstances where the external auditor intended to use the work of the internal audit. We strongly support the decision not to pursue this requirement. We also support the scope of the ISA which has not been extended, also suggested in a previous draft, to deal with instances where internal audit personnel work under the direct supervision of the external auditor.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'K E Bagshaw', with a long horizontal flourish extending to the right.

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Objective

Is the objective to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?

No. We believe that the requirement to obtain an understanding of the internal audit function is covered by ISA 315 because the internal audit function forms an important component of an entity's system of internal control. The reference to ISA 315 is acceptable provided that it does not merely duplicate the requirements of that standard and is purposive or outcome-oriented. **The objective in paragraph 6 should be amended to read:**

'The objective of the external auditor is to obtain an understanding of the internal audit function *in order to determine whether....etc.*'

Requirements

Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and the use of professional judgment by auditors?

Not in the following cases:

Paragraphs 7-11 are unclear regarding the distinction between and flow of work involved in gaining an understanding of internal audit, and performing further procedures. This is a reflection of the problem with the objective noted above.

Paragraphs 7- 8 should be grouped together under the heading 'Obtaining an understanding of the internal audit function' and paragraphs 9-11 should be grouped together under the single heading of 'Determining the use of the work of the internal audit function'. The reference to planning in this context is not helpful.

As noted above, we support IAASB's decision not to impose a mandatory requirement for auditors to test a portion of the internal audit function's work. **The reference in A11 to 'testing' should be replaced with the phrase 'evaluation of the adequacy' to bring it into line with paragraph 10.**