



20 Aljunied Road, #06-02,
CPA House, Singapore 389805
Tel 65 6749 8060 Fax 65 6749 8061
cpasingapore@icpas.org.sg
www.icpas.org.sg

12 November 2010

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Dear Sir/Madam,

RESPONSE TO EXPOSURE DRAFT – ISA 315 IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT THROUGH UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT AND ISA 610 USING THE WORK OF INTERNAL AUDITORS

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the above exposure draft (ED) issued by the International Auditing and Assurance Standards Board (IAASB) in July 2010. Our comments on the specific questions in the ED are as follows:

Question 1

Do respondents believe it is appropriate to require the external auditor to make inquiries of appropriate individuals within the internal audit function? If so, do respondents agree such a requirement is appropriately placed in ISA 315?

Yes, we believe that it is appropriate to require external auditor to make inquiries of appropriate individuals within the internal audit function and such a requirement appears appropriately placed in ISA 315.

Question 2

Do respondents believe that appropriate factors have been proposed to be evaluated by the external auditor in determining:

(a) Whether the work of the internal audit function can be used for purposes of the audit engagement; and

Yes, we are of the view that those factors proposed under ISA 610, paras 13-14, and further elaborated in paras A4-A9 in determining whether the work of the internal audit function can be used for purposes of the audit engagement appear appropriate.

(b) The planned use of the work of the internal audit function?

Yes.

Question 3

Do respondents believe it is appropriate to require the external auditor to read reports produced by the internal audit function relating to the work of the internal audit function that is planned to be used by the external auditor?

Yes, to the extent of the internal audit function relating to the specific internal audit work that is planned to be used by the external auditor only.

Question 4

Do respondents believe that it is desirable for the scope of ISA 610 to be expanded to address the matter of direct assistance? If so, do respondents believe that when obtaining the direct assistance of internal auditors the external auditor should be required to:

(a) Consider the factors that have been proposed in determining the work that may be assigned to individual internal auditors; and

(b) Direct, supervise, and review the audit procedures performed by the internal auditors in a way that recognizes they are not independent of the entity?

Yes, we agree that the scope of ISA 610 should be expanded to address direct assistance as this will provide the external auditors with the necessary requirements and guidance when direct assistance is sought. We also agree with the factors that have been proposed in determining the work that may be assigned to individual internal auditors as these factors are consistent with the requirements and guidance set out in the revised ISA 610. In addition, as the internal auditors are not independent of the entity, the external auditor should consider this point when directing, supervising and reviewing the audit procedures performed by the internal auditors. This will provide the necessary bridge on the issue of independence of audit procedures performed in forming the auditor's opinion.

Question 5

Public Interest Concerns—Respondents are asked to address whether there are any public interest concerns that have not been addressed.

None noted.

Question 6

Special Considerations in the Audit of Smaller Entities—Respondents are asked to comment whether, in their opinion, guidance addressing special considerations in the audit of smaller entities should be provided in the proposed revised ISAs. If so, respondents are asked to explain why and to suggest the nature of any such considerations.

We are of the view that it may not be necessary to provide guidance to address the special considerations in the audit of smaller entities as the inclusion of such guidance will not be consistent with the overall presentation of the other ISAs. The auditor’s objectives are the same for audits of entities of different sizes and complexities. As such, the requirements of the ISAs should apply to the audits of all entities. However, the auditors of smaller entities need to carry out those requirements which are not relevant to their audits.

Question 7

Special Considerations in the Audit of Public Sector Entities—Respondents are asked to comment whether, in their opinion, special considerations in the audit of public sector entities have been dealt with appropriately in the proposed revised ISAs.

None noted.

Question 8

Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the ISAs, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in applying the proposed revised ISAs in a developing nation environment.

Not applicable.

Question 9

Translations—Recognizing that many respondents intend to translate the final revised ISAs for adoption in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing the proposed revised ISAs.

Not applicable.

Question 10

Effective Date—Respondents are asked to comment whether, in their opinion, the provisional effective date is appropriate for supporting effective adoption and implementation of the proposed revised ISAs at the national level.

We do not foresee any significant issue in the effective date that will affect effective adoption and implementation of the revised ISAs.

Question 11

Is the analysis of impact presented in Section 4 of this Explanatory Memorandum helpful to respondents in understanding the anticipated impacts of the IAASB’s proposals?

The analysis of impact presented is helping in providing the auditors and other relevant stakeholders with a general overall of the implications of the proposed revisions. This will aid in the acceptance of such revisions by the auditors and other relevant stakeholders.

Question 12

Do respondents agree with the impact analysis as presented? Are there any other stakeholders, or other impacts on stakeholders, that should be considered and addressed by the IAASB?

We agree with the impact analysis presented. However, we would like to suggest that IAASB consider expanding the analysis to include other stakeholders such as management and those charged with governance. This would help in creating awareness on the value of audit to these stakeholders.

Question 13

Are there any changes to the narrative or tabular presentation of the impact analysis that would be helpful to respondents?

None noted.

Question 14

Would respondents find such an approach useful at the national level?

Yes.

Should you require any further clarification, please feel free to contact Ms Lee Li Huang, Head, Technical, or Ms Evelyn Tan, Technical Manager, at the Institute of Certified Public Accountants of Singapore via email at lihuang.lee@icpas.org.sg or evelyn.tan@icpas.org.sg respectively.

Yours faithfully,



Janet Tan
Executive Director

Established in 1963, the ICPAS is Singapore's national accountancy body that develops, supports and enhances the integrity, status and interests of the profession. Today, ICPAS has over 22,000 members.