



**OICV-IOSCO**

Organización Internacional de Comisiones de Valores  
International Organisation of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valore

June 26, 2007

Mr. James M. Sylph  
Executive Director, Professional Standards  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, NY 10017

Email address: [Edcomments@ifac.org](mailto:Edcomments@ifac.org)

Re: Proposed Redrafted International Standard on Auditing 610, *The Auditor's Consideration of the Internal Audit Function*

Dear Mr. Sylph:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting (SC 1) appreciates the opportunity to comment on the Exposure Draft of proposed redrafted international standard on auditing ISA 610, *The Auditor's Consideration of the Internal Audit Function* (the ED). As an international organization of securities regulators representing the public interest, IOSCO SC 1 is committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing, and professional standards.

Members of SC 1 seek to further IOSCO's mission through thoughtful consideration of accounting, auditing and disclosure concerns, and pursuit of improved global financial reporting. As we review proposed auditing standards, our concerns focus on whether the standards are sufficient in scope and adequately cover all relevant aspects of the area of audit being addressed, whether the standards are clear and understandable, and whether the standards are written in such a way as to be enforceable. Our comments in this letter reflect those matters on which we have achieved a consensus among the members of SC

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1; however, they are not intended to include all comments that might be provided by individual members on behalf of their respective jurisdictions.

In general, we welcome the changes that have been made in clarifying and redrafting this ISA and believe it is an improvement over the existing standard. However, we have a number of comments on additional changes that are needed to further improve its enforceability and clarity.

### ***Objective***

We believe this objective would be improved if it were reworded to focus more on the outcome to be achieved. For example, the objective might be revised to say "The objective of the external auditor is to evaluate the internal audit function and achieve a determination of whether the work of the internal auditor can be utilized in the procedures performed by the external auditor" or "The objective of the external auditor is to achieve an assessment of whether the activities of the internal audit function are relevant to planning and performing the audit and if relevant, how the activities and information provided by internal audit can be utilized."

### ***Requirements - Paragraph 9***

We recommend replacing "shall consider" with "shall evaluate" to convey more clearly the necessary actions and judgment of the auditor.

### ***Application and Other Explanatory Material - Paragraph A4***

The second and third sentences in this paragraph can be read as implying that negative information about the entity's risk or financial information identified in a company's internal audit function could be excluded from the auditor's risk assessment. Even if the auditor determines not to use the work of the internal audit function as part of the overall audit effort, we believe the auditor should be required to assess any negative information it has learned of, or obtained from, the internal audit function in the auditor's risk assessment. We recommend revising this statement to make such procedure clear, and moving it to the Requirements section so that it would apply to all audits.

### **Reponses to Specific Questions in the Exposure Draft**

- 1. Is the objective to be achieved by the auditor, stated in each of the proposed redrafted ISAs, appropriate?**

Please see our comment on how the objective could be improved earlier in this letter.

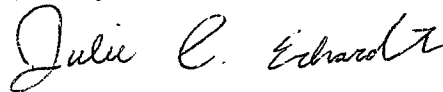
**2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and the use of professional judgment by auditors?**

Our focus in reviewing this Exposure Draft was on how well we believe the resulting standard will support the public interest by contributing to high quality audits, rather than on the Board's methodology for redrafting the standard and determining requirements. We believe that the content in paragraph A4 should be clarified and brought forward into the Requirements section of the ISA, as stated earlier in this letter.

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Thank you for the opportunity to comment on this ED. If you have any questions or need additional information regarding this comment letter, you may contact me or Susan Koski-Grafer at 202-551-5300, or any member of the IOSCO Standing Committee No. 1 Auditing Subcommittee.

Sincerely,



Julie A. Erhardt  
Chair  
IOSCO Standing Committee No. 1