

July 13, 2013

Ms. Sherry Hazel  
Audit and Attest Standards Team  
AICPA  
1211 Avenue of the Americas, 19<sup>th</sup> Floor  
New York, NY 10036-8775

**Re: April 15, 2013 ASB Exposure Draft of a Proposed Statement on Auditing Standards (SAS), *Using the Work of Internal Auditors***

Dear Ms. Hazel:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

TIC has reviewed the ED and is providing the following comments for your consideration.

**GENERAL COMMENTS**

TIC supports the issuance of the ED as a final standard. TIC agrees that:

- The stated objectives of the external auditor are appropriate;
- The revisions from extant standards to converge with ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, are appropriate;
- The differences between the Proposed SAS and ISA 610 (Revised 2013) are appropriate.
- The additional guidance for audits of governmental entities in paragraph A13 is relevant and helpful;
- No additional guidance for the audits of smaller, less complex entities is necessary.

TIC does not expect that this proposed SAS will significantly impact most practitioners and preparers within TIC's constituency. Many nonissuers either do not have an internal audit function, or the function is not designed to meet the objectivity and competency requirements of the proposed standard. This is the context in which TIC has responded to the Issue for Consideration below.

TIC has also recommended several clarifications to the text of the ED.

## SPECIFIC COMMENTS

### Issue for Consideration—Using the Work of Internal Auditors in a Direct Assistance Capacity

TIC supports the proposed requirements and application guidance relating to the use of internal auditors in a direct assistance capacity. Although TIC members do not use the work of internal auditors in a direct assistance capacity in their audit engagements, TIC believes there is a place for direct assistance and appreciates the optionality afforded by the proposed standard.

### Other Comments

TIC has noted an apparent inconsistency between paragraph 2 and the related application paragraph A2. The last sentence of paragraph A2 states that the activities of others (including third-party providers or personnel within other departments) that are similar to those of a designated internal audit function would be covered by this proposed standard. This language seems contradictory to paragraph 2, which states that the proposed SAS does not apply if the entity does not have an internal audit function. TIC recommends moving the concept of the last sentence of paragraph A2 to paragraph 2, as follows, to clarify the scope of the proposal:

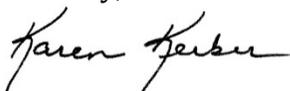
*The proposed SAS applies only if the entity has an internal audit function or if the entity has other similar activities conducted by functions with other titles or by third-party providers.*

The last sentence of paragraph A20 includes a misplaced phrase that is grammatically incorrect; the placement of the phrase erroneously implies that paragraph 15 describes the purpose of the audit. TIC suggests the following as possible alternative language:

*The auditor cannot use the work of the internal audit function for purposes of the audit if the auditor concludes that any of the circumstances described in paragraph 15 exists.*

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,



Karen Kerber, Chair  
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees