Institute of Internal Auditors-Australia (IIA-AU) Submission

AuASB Consultation: Prohibiting Sustainability Assurance Practitioners from using Direct Assistance by Internal Auditors

29th Nov 2024

Opening Statement

The Institute of Internal Auditors – Australia (IIA-AU) represents Internal Governance, Risk and Assurance (GRA) professionals, including Internal Auditors in Australia. With approx. 250,000 members globally in over 100 countries, the IIA champions the Global Internal Audit Standards.

IIA-AU thanks the AUASB for the opportunity to comment on the proposal to prohibit Sustainability Assurance Practitioners from using Direct Assistance by Internal Auditors "the/this proposal".

We understand that this proposal is based on AUASB's 2013 decision to prohibit the use of Internal Auditors to provide Direct Assistance in a financial audit or review conducted under ASA 610[1]; and that this decision was primarily based on the misconception that Internal Auditors cannot be Independent and that this would threaten the Independence of the External Auditor (the Practitioner). Part A addresses this misconception and Part B provides context of the Internal Audit profession's Independent and Objectivity requirements under the Global Internal Audit Standards.

It is our conclusion that the argument used to support ASA 610 is flawed – in reality, External Auditors have nothing to fear from Internal Auditors, certainly not compromising Independence.

Without the constraints of the foundational argument behind the ASA 610 prohibition, in Part C, we explore the pros and cons of a world with and without prohibition. In our opinion, neither option is appropriate. With prohibition, the External Auditor will be unable to utilise a highly skilled cohort of resources to provide Direct Assistance potentially costing the organisation more than necessary. Without prohibition the Internal Audit function's resources could be diverted to such an extent as to destroy its value to the organisation.

In Part D we address the validity of the Compelling Reasons upon which the decision to apply prohibition is based. We believe the prohibition to be inconsistent with the Corporations Act which says organisations must assist the External Auditor, and we do not believe the conditions of Trigger 2 have been met.

In Part E of our submission we provide an alternative solution that complies with the Corporations Act, is in the public interest, leaves the option of Direct Assistance open to the External Auditor to consider, and affords safeguards to ensure that the internal governance mechanisms of the organisation are not sacrificed for the benefit of External Audit. In short, it is to allow External Auditors to use the Direct Assistance of Internal Auditors where, together with the Board and Chief Audit Executive they agree that the benefits outweigh the costs. Part F addresses the specific consultation questions.

[1] Nov13 ASA 610 and ASA 2013-2 Basis for Conclusions

PART A: Internal Audit is Not a Threat to the Independence of External Auditors

Central to the argument for prohibiting Sustainability Assurance Practitioners from using Direct Assistance by Internal Auditors, is the misconception that Internal Auditors can threaten the Independence of External Auditors.

This misconception is profiled in the 2013 AUASB Report on the '*Basis for Conclusions, ASA 610, Using the Work of Internal Auditors'*[2]*,* which states:

> *"The AUASB is of the view that internal auditors are not independent of the audit client and are not subject to the same independence requirements as external auditors. A prohibition on the use of internal auditors to provide direct assistance creates a clearer division of responsibility between internal and external audit teams to safeguard against conflicts of interest and supports stakeholders' expectations that* ***external auditors should be free from threats to their independence****."*

The conclusion drawn above indicates that using Direct Assistance from the Internal Audit function is a threat to the External Auditor's Independence is flawed. Maintaining Independence is an ASIC regulatory requirement and being separated from the client is the External Auditor's mechanism for supporting their Independence. This by itself does not guarantee independence. Rather, achieving Independence requires the External Auditor to exercise independent behaviours and mindsets throughout the engagement, and to be aware of and implement appropriate responses to manage conflict of interest situations; auditor rotation needs; and any threats to independence that arise.

When exercised in full, it is inconceivable that an Internal Auditor, purely by providing Direct Assistance could threaten the Independence of an External Auditor.

After all, the External Audit Partner remains responsible for and has complete control of the audit process and findings, regardless of who within the organisation they utilise in the process. The option to use Direct Assistance from the Internal Audit function should be just that, an option, that if agreed to by the Board and Chief Audit Executive should be available to deploy.

With the rigor of regulation and high professional standards supporting the External Audit professional, it seems a long bow to draw that Internal Audit could threaten External Audit's Independence just by providing Direct Assistance if requested to do so by the Board (or Audit and Risk Committee).

It is the opinion of IIA-AU that Internal Auditors can threaten the Independence of External Auditors is an outdated perspective built on a flawed concepts – and it is time for a reassessment.

Conclusion – Part A

It is a fallacy to presume that prohibiting Sustainability Assurance Practitioners from using Direct Assistance by Internal Auditors will threaten the Independence of External Auditors. With the basis of the argument that supported ASA 610 highly questionable, it is time to devise a better governance outcome.

[2] Nov13 ASA 610 and ASA 2013-2 Basis for Conclusions

PART B: Internal Audit is Its Own Profession with Its Own High Standards

In the consultation paper it says that part of the reason for prohibition is that Internal Auditors are not held to the same level of Independence as External Auditors.

We agree whole-heartedly. They are different professions with one needing to demonstrate Independence from the organisation they are auditing and the other having to demonstrate independence within the organisation they work for. Neither is better as they serve very different purposes – assuring public reports of an organisations versus providing internal assurance on the governance, risks and controls of the organisation.

As Internal Audit is not a protected profession, the distinguishing factor that separates Internal Audit professionals from others is that they are bound by the Global Internal Audit Standards (GIAS).

To help the AUASB better understand the nature of the profession, we provide a brief outline of our Standards in relation to Independence.

1. Internal Audit Profession: Rigorous International Standards

Internal auditing provides boards and management with risk-based, independent and objective assurance, advice, and insight to enhance organisations' success. It contributes to economic stability and social well-being by helping organisations perform reliably and sustainably. The internal audit profession serves leaders and decision-makers and builds trust and confidence among stakeholders by providing greater transparency, insight and foresight.

An independent, competent, and trusted internal audit function is essential for effective organisational governance, risk management, and control. The professional practice of internal auditing is most effective when it conforms to authoritative, internationally recognised professional standards.

The International Professional Practices Framework® (IPPF) organises the mandatory and recommended guidance of The IIA applicable to internal audit professionals worldwide – a core element of which is the Global Internal Audit Standards that serve as a basis for evaluating and elevating the quality of the internal audit function.

The Global Standards are set according to a due process followed by the International Internal Audit Standards Board (IIASB) and overseen by the IPPF Oversight Council (IPPFOC).

The IPPFOC promotes inclusiveness, transparency, and other qualities important to the multiple stakeholders who benefit from having confidence that the IPPF serves the **public interest**. The IPPFOC monitors, evaluates, and advises on the appropriateness of The IIA's standard setting structure and process. The IPPFOC is a competent, alert, and well-informed independent oversight body mandated to provide assurance that the IIASB adheres to sound governance and due process, considers input representing all stakeholders, and ultimately serves the public interest. Members of the Oversight Council include representatives from organisations operating in the public and private sectors that are invested in ensuring the Standards reflect the public interest: Global Network of Director Institutes (AICD is a founding member); International Federation of Accountants (including CAANZ, CPA Australia and Institute of Public Accountants); International Organization of Supreme Audit Institutions (Australian National Audit Office is a member); Organisation for Economic Co-operation and Development (Australia has been an active member of the OECD since 1971); The World Bank and The Institute of Internal Auditors

2. Internal Audit Profession: Independence a Standard's Requirement

The 2024 Global Internal Audit Standards enshrine the independence of an internal auditor through the following two Standards.

Standard 2.2 Safeguarding Objectivity

Requirements

Internal auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.

Internal auditors must not accept any tangible or intangible item, such as a gift, reward, or favor, that may impair or be presumed to impair objectivity.

Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.

When performing internal audit services:

- Internal auditors must refrain from assessing specific activities for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.
- If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed. Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.

The chief audit executive must establish methodologies to address impairments to objectivity. Internal auditors must discuss impairments and take appropriate actions according to relevant methodologies.

Standard 7.1 Organizational Independence

Requirements

The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

The chief audit executive must document in the internal audit charter the reporting relationships and organizational positioning of the internal audit function, as determined by the board. (See also Standard 6.2 Internal Audit Charter.)

The chief audit executive must discuss with the board and senior management any current or proposed roles and responsibilities that have the potential to impair the internal audit function's independence, either in fact or appearance. The chief audit executive must advise the board and senior management of the types of safeguards to manage actual, potential, or perceived impairments.

When the chief audit executive has one or more ongoing roles beyond internal auditing, the responsibilities, nature of work, and established safeguards must be documented in the internal audit charter. If those areas of responsibility are subject to internal auditing, alternative processes to obtain assurance must be established, such as contracting with an objective, competent external assurance provider that reports independently to the board.

When the chief audit executive's non-audit responsibilities are temporary, assurance for those areas must be provided by an independent third party during the temporary assignment and for the subsequent 12 months. Also, the chief audit executive must establish a plan to transition those responsibilities to management.

If the governing structure does not support organizational independence, the chief audit executive must document the characteristics of the governing structure limiting independence and any safeguards that may be employed to achieve this principle.

3. Internal Audit Profession: Higher Standards than Others

A consistent and unique factor of the Global Internal Audit Standards is the requirement for the Internal Audit function to undergo an external quality assessment of their compliance with the Standards by an independent expert at least once every 5 years. This level of transparency is not a feature of other professions in Australia. Here is the specific Standard.

Standard 8.4 External Quality Assessment

Requirements

The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation. When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation.

PART C: If Not, Why Not

In Part 1 we established that the starting premise that Internal Audit Direct Assistance threatens External Auditor Independence is incorrect. And in Part 2 we demonstrated that there are high Standards against which External Auditor can assess the quality and Independence of the Internal Audit function as part of their decision as to whether or not to incorporate permitted Direct Assistance into their sustainability assurance work.

In this section we challenge the view that prohibition is required by reversing the starting premise – imagine a world where External Auditors could choose whether or not to use Internal Audit for Direct Assistance, where they have greater control over the resourcing to deliver the best possible outcome for their client and the public interest. This is, after all, the intent of ISSA 5000.

1. Net Impact on External Audit

1.1. External Audit Retains Control of its Independence

With Independence enshrined in regulations, the External Auditor retains control over the audit and it is the ultimate signatory on the opinion, regardless of the people used to resource the audit. Having the option to utilise Direct Assistance from within the organisation may be essential for the best audit outcome. Prohibition will do nothing to enhance or detract from the External Auditors Independence, but, where the organisation believes Internal Audit personnel could assist, it will remove this option completely.

Accordingly, there is no conflict with APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board (APESB). External Auditors and their firms remain independent when undertaking audit and review engagements.

1.2. External Audit Retains Control of Quality

On the same principle as above, the External Auditor still retains control over the audit and therefore controls the quality. If the External Auditor satisfies themselves as to the nature of the Direct Assistance, they can also satisfy themselves of the quality of the contribution – just as they do with others undertaking work on an audit. The 'confidence' in the quality of the sustainability information remains the quality of the work performed under the direction and supervision of the Independent External Auditor. To prohibit Direct Assistance, where the organisation believes Internal Audit personnel are best placed to assist, incorrectly removes this option, potentially at the expense of the audit quality.

1.3. External Auditors Need Effective, Expert Resourcing

A key to delivering quality is the skills and knowledge of the audit team the External Auditor can access.

There is a known shortage of External Auditors in Australia[3] and the professional accounting bodies are taking dramatic action to address the decreasing numbers of those entering the profession[4].

Given there is a significant skills shortage, why would the AUASB prevent an External Auditor from having the option of Direct Assistant from a highly skilled professional base, if that resource is going to appropriately enhance the effective resourcing of the audit?

In the consideration of allowing Internal Audit to provide Direct Assistance for Sustainability Assurance, we believe that the ISAB is recognising the complex and evolving nature of sustainability and the need for specialist knowledge to assist Sustainability Assurance across all industry types and operating locations.

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[3] https://www.jobsandskills.gov.au/data/occupation-shortages-analysis/occupation-shortage-list

[4] https://www.accountantsdaily.com.au/business/20468-ca-anz-sets-the-record-straight-on-new-pathway

ISSA 5000 affords the External Auditor the opportunity to resource the audit work with the qualified people in the interests of the client and public. However, it falls short in ensuring safeguards are in place to prevent the External Auditor from subverting the Internal Audit's function and resources away from its critical Third Line of Assurance core intent.

2. Net Impact on Public Interest

2.1. Sustainability Assurance Reporting Using Best Resources

The recent amendment to the Corporations Act requires the organisation to provide assistance to the External Auditor and the intent of ISSA 5000 is to allow External Auditors to use the highly qualified, independent resource of the client– Internal Auditors. It is in the interests of quality reporting outcomes, that External Auditor should have the option to utilise Direct Assistance.

2.2. Sustainability Assurance in Complex Organisations

Sustainability Assurance is in its infancy compared to financial reporting assurance. Some leading companies have acted ahead of the regulation, but others are catching up. Because of the complexity of sustainability across an organisation and all its operating locations, there are important internal centres of knowledge that will be critical for an effective audit and there may not be a single access point, as there is with a Finance Department, for the External Auditor.

There may be a sustainability function, or it may be incorporated into other functions. Furthermore, reporting to the leadership can be via circuitous pathways, information trapped in silos, and quality of data capture subject to capability and cultural pockets.

The company itself will know the best people to support the External Auditor navigate its unique sustainability profile and for this reason the External Auditor should retain the option to utilise Direct Assistance from the Internal Auditor where the Board and Internal Auditor agree that it will not compromise the Line Three function.

It is worth noting that within the current voluntary reporting assurance space there are cases where External Audit is effectively working with Internal Audit for positive outcomes.

2.3. Sustainability Assurance in a Global Context

The AUASB should seriously consider the added complication of an Australian prohibition for organisations that have multi-location operations internationally. Currently under voluntary reporting External Audit is utilising Internal Audit. As nations adopt ISSA 5000, without a 'Western-block' prohibiting Internal Audit, the AUASB modification creates a commercial impost, without an appropriate business impact assessment.

2.4. Synergistic Relationships

There are some Internal Auditors that would argue that prohibition would protect the Line Three assurance function from being subsumed by the External Auditors seeking to take advantage of their skilled personnel and sunk labour costs at the expense of the Internal Auditor's Independence and delivering the organisation's Internal Audit program.

But there is an alternate view, particularly in complex multi-jurisdiction organisation. In these cases the Board and Chief Audit Executive may agree with the External Auditor that there is an appropriate Direct Assistance role for Internal Audit to play in the sustainability assurance activities.

Provided that there are protections preventing any corruption of the three lines model and the governance model set out in ISO 37000:2021 *Governance of Organisations*, it is in the public interest to allow the External Auditor and organisation to agree on effective governance resource utilisation.

2.5. Commercial Interests and Perverse Outcomes

As an active participant in the recent Parliamentary Joint Committee hearings on ethics and professionalism within Firms, we believe it is important to also recognise that there are commercial interests involved either way.

Without prohibition, organisations may be led into funding External Audit activities at the expense of investing in good internal governance and risk management.

With prohibition, organisations may experience more expensive External Audits than necessary purely because an available resource could not be utilised. Furthermore, there is the risk that both External and Internal Audit duplicate work or complete similar sustainability assurance activities.

It is in the public interest to have the External Auditor and the organisation (board and Chief Audit Executive) able to discuss and mutually agree resourcing in the interests of audit independence and quality as well as internal opportunity and cost.

Conclusion – Part C

There is more value for the public in providing the External Auditor the option to use the Direct Assistance of Internal Auditors where the organisation agrees that to do so does not threaten its Line Three assurance.

PART D: No Compelling Reason

In this section we examine the Compelling Reasons Test.

1. Challenging the 'Compelling Reasons' Trigger 1

TRIGGER 1: Is the international standard reflective of, or consistent with, Australian legal and regulatory arrangements?
ISSA 5000 is consistent with Australian Law.

1.1. Under the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024*

Section 285 of the *Corporations Act 2001* has been amended to include in the *Overview of Obligations Under this Chapter*, the requirement to 'have the sustainability report audited and obtain auditor's report' with the Table Comment stating that 'Under s. 312, officers must assist the auditor in the conduct of the audit'.

Section 312 of the *Corporations Act 2001 has been amended to read: Assisting auditor*

> *(1) An officer of a company, registered scheme or disclosing entity must:*
> *(a) allow the auditor access to the books of the company, scheme or entity; and*
> *(b) give the auditor any information, explanation or assistance required under subsection 310(1).*

It is clearly the intent of the amendment that External Auditors can compel an organisation's officers to provide assistance as required. Based on a number of factors, it is reasonable that an officer may delegate, requesting an appropriate employee to provide the required assistance. That employee may be an "inhouse" Internal Auditor familiar with the sustainability area being examined. The choice to accept assistance from a particular person (nominated by the officer), remains the discretion of the External Auditor. So far, there has been no compromise to the External Auditor's Independence nor the prospects of a quality audit outcome.

In the above scenario, the Internal Auditor would raise with the Board, any professional issues that may arise from a conflict with their Internal Audit role or the Internal Audit Plan.

Allowing an organisation's officers and therefore via the employees, including Internal Auditors, to provide assistance to the External Auditor is required under the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 to the Corporations Act 2001.* Therefore ISSA 5000 is consistent with the dominant legislative requirement. Adding the proposed prohibition would contradict the *Corporations Act*.

1.2. ISSA 5000 is consistent with APES 110 Code of Ethics for Professional Accountants (including Independence Standards) as issued by the Accounting Professional & Ethical Standards Board (APESB), because it requires auditors and audit firms to be independent when undertaking audit and review engagements.

Compelling Reason Test for Modification Not Met

2. Challenging the 'Compelling Reasons' Trigger 2

Trigger 2: Is the international standard reflective of, or consistent with, the principles and practices that are considered appropriate in Australia? It is the IIA-AU's opinion that the Compelling Reasons relied upon for arguing for prohibition are self-perpetuating – ASA 610 prohibited Direct Assistance in 2013 because Internal Audit Direct Assistance threatens External Auditor Independence, therefore AUASB must prohibit it for Sustainability Assurance for the same reason. But even accepting the premise, we do not believe that the Compelling Reason Test is met.

If we accept the answer to trigger 2 as no, then the following questions must be answered:

A. Will modification ensure compliance with principles and practices that the AUASB considers appropriate and in the public interest in Australia? While only the AUASB can answer this, there is an argument that prohibiting Direct Assistance by Internal Auditors is not in the public interest (see Public Interest section below).
B. Will modification result in clarity and promote consistent application by all practitioners in Australia? The modification can be argued to make it easier as the External Auditor will not have to exercise choice.
C. Will modification promote significant improvement in audit/assurance quality in the Australian environment? No. The modification will create inconsistencies that will cause issues for larger, complex multi-jurisdictional organisations.
D. Will modification result in a standard that does not conflict with, or have lesser requirements than the international standard? The proposed modification directly conflicts with ISSA 5000 and creates a lesser requirement. By allowing the External Auditor to utilise the Direct Assistance of Internal Audit, the External Auditor is required to assess the appropriate resourcing for the audit considering the context and people available. This is in everyone's interest. Prohibition not only prevents the organisation from complying with s312 of the Corporations Act, it removes the requirement of the External Auditor to consider how best to undertake Sustainability Assurance in complex and changing environments.
E. Will modification result in a standard that is not overly complex and confusing? The proposed modification adds unnecessary complexity and confusion for multi-jurisdictional organisations.
F. Will modification result in changing the meaning or intent of the international standard by imposing more onerous requirements on Australian practitioners than necessary? The proposed modification significantly changes the meaning of the international standard and with or without the prohibition, there are no more onerous requirements for the External Auditor.

Subsequently, the Test asks:

G. Will the benefits of modifying the international standard outweigh the costs? No.

Compelling Reason Test for Modification Not Met

PART E: Limited Direct Assistance – Recommended Action

Some would argue that it is better for our profession to let the prohibition pass, than to seek to address the errors in the argument. However, there is another way that the Internal and External professions can be protected that we believe will afford better governance outcomes all around.

We propose the following:

1. Re Note 24: Amending the Definition of the 'Engagement Team'

We recommend no change to ISSA 5000.

2. Re Note 25: Amending Paragraph 42 and Adding Aus 42.1

We recommend changing ISSA 5000 as follows:

1. No change to paragraph 42 of proposed ISSA 5000.

2. Add a new paragraph Aus 42.1:

   "Aus 42.1 The practitioner shall not use internal auditors to provide direct assistance on the sustainability assurance engagement if, in the board and internal auditor's opinions, to do so would cause detriment to the function's Independence and its ability to effectively provide internal audit assurance under the Global Internal Audit Standards."

3. Re Note 26: Amending Application Material Paragraph A30

We recommend retaining the application material paragraph and amending ISSA 5000 as follows:

> "A30. Internal auditors who provide direct assistance refers to the use of internal auditors to perform procedures under the direction, supervision and review of the practitioner. Although they may perform procedures similar to those performed by the practitioner, such internal auditors are not independent of the entity as is required of the practitioner. They are therefore not members of the engagement team."

PART F: Responses to Select Consultation Questions

1. Should assurance practitioners be prohibited from using direct assistance by internal auditors in a sustainability assurance engagement conducted in accordance with the Australian Standards on Sustainability Assurance? If not, why not? No. The argument that Internal Audit should be struck out of ISSA 5000 because they threaten the Independence of External Audit is a flawed argument and one that is inconsistent with the intent of the global standard. See Part 1.

2. Do you think the AUASB should consider the approach in Australian Standards on Sustainability Assurance separately from the approach in ASA 610? If so, why? Yes. In addition to the prohibition being based on a flawed argument, there are reasons why Direct Assistance by Internal Auditors may be warranted in some circumstances. See Part 2.

3. Would you like to see the AUASB reconsider the prohibition on the use of internal auditors to provide direct assistance in ASA 610? If so, what are your reasons? Yes, a re-consideration of the basis of this prohibition is warranted. The basis of prohibiting Direct Assistance in ASA 610 based on Internal Auditor Independence is flawed, as outlined in Part 1 of this submission. We note, however, that there is complexity in making this change in the context of Financial Statement audit processes, and this requires separate analysis.

4. Have applicable laws and regulations been appropriately addressed in the proposal? No. The modification is inconsistent with the amendments to s. 312 of the Corporations Act, that states that officers must assist the auditor in the conduct of the audit.

5. Are there any laws or regulations that may, or do, prevent or impede the application of the proposal, or may conflict with the proposal? Yes, the modification is inconsistent with the amendments to s. 312 of the Corporations Act, that states that officers must assist the auditor in the conduct of the audit.

6. Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposal, or may conflict with the proposal? Yes. It is an existing practice in some complex companies to allow the Internal Audit function to provide Direct Assistance for sustainability related engagements. See Part 2.

7. What, if any, are the additional significant costs to/benefits for auditors and assurance practitioners and the business community arising from compliance with the requirements of this proposal? Mandatory Sustainability Assurance audits will come at a cost. IIA-AU is of the understanding that significant costs incurred by External Auditors are generally offset by remuneration from the client – leaving the business community liable for any additional costs under this proposal. Prohibition removes choice in how best to resource an audit, leaving organisations with two options – increase governance and risk expenditure to accommodate both good internal three lines practice or fit within the budget and decrease the valuable day to day internal assurance. Not applying some limitation, can have the perverse outcome that the assistance diverts the Internal Audit function from delivering its primary function, weakening the organisation's governance to the benefit of the External Auditor. No organisation should be put in the position of having to sacrifice internal assurance to fund external assurance. We note the subsequent questions asked, but we submit that this information will take time to collate and in the interim, the AUASB should not implement without such evidence.

8. Are there any other significant public interest matters that stakeholders wish to raise? Yes. These have been covered in various parts of the submission. We would welcome the opportunity to discuss further.