

# AccountancyAge

## FRC draws line between internal and external audit staff

by Rachael Singh

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**THE FINANCIAL WATCHDOG** has issued guidance which will completely separate the internal and external audit teams.

The Financial Reporting Council ([FRC](#)) has now prohibited external auditors from seeking help or guidance from a company's internal audit team when compiling an audit report.

According to the FRC the latest move creates a clearer division of responsibility between internal and external audit teams to safeguard against conflicts of interest.

However, some in the profession dispute this and

believe that internal audit help is not a "real threat" to the independence of the external auditor.

"The provision of direct assistance to external auditors has not been an area of concern for company stakeholders to date. Restricted direct assistance is a reasonably common feature of current external audit practice and it has not impaired audit quality," said Hywel Ball, head of assurance at Ernst & Young UK and Ireland.

Adding that: "Introducing this prohibition now will add complexity to the planning of multi-location audits."

Nick Land, (pictured) FRC board member and chairman of the audit and assurance council, said: "Prohibiting direct assistance supports stakeholders' expectation that external auditors should be free from threats to their independence.

"In determining the effective date of the prohibition, the FRC has taken into consideration that planning the use of the work of internal auditors may take place early in the financial period being reported on."

Earlier this week the Parliamentary Commission on Banking Standards (PCBS) set up by the government published a damning report on auditors.

The PCBS said that auditors had failed in their duty to expose the risks accumulating on banks' balance sheets and acted as "cheerleaders" for questionable reporting practices.

"At best, auditors did not act as the last line of defence against banks' questionable reporting on their own businesses and, at worst, they were cheerleaders for it," the report said.

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