



October 7, 2023

INTOSAI
Supreme Audit Office of Poland
Filtrowa 57
02-056 Warszawa, Poland

RE: IIA Comments Regarding Draft *Guidance on Cooperation with Internal Auditors*

Dear Secretariat of the Subcommittee on Internal Control Standards:

The Institute of Internal Auditors (The IIA) thanks the International Organization of Supreme Audit Institutions (INTOSAI) for the opportunity to comment on the draft *Guidance on Cooperation with Internal Auditors*. For over 80 years, The IIA has served its now more than 235,000 members located in more than 170 countries around the world and promulgates the *International Standards for the Professional Practice of Internal Auditing*. The IIA's membership includes public sector internal auditors who may follow both sets of Standards simultaneously. The IIA considers INTOSAI an important partner in this effort to help ensure the credibility of the audit profession.

The IIA appreciates the acknowledgement and references in the draft guidance to various IIA resources, including the International Professional Practices Framework (IPPF). However, it should be noted that the IPPF is currently being revised and the most current version is scheduled to be issued in early 2024, making references outdated almost immediately upon issuance of *Guidance on Cooperation with Internal Auditors*. For example, as currently referenced in Paragraph 6, the *Standards* will have a new name: the *Global Internal Audit Standards*. The *Core Principles for the Professional Practice of Internal Auditing* will no longer be a standalone component of the IPPF and instead serve to align the revised Standards, resulting in a needed revision to the language in Paragraph 16. The current Mission of Internal Audit has been combined in the new draft Standards to create a new Purpose of Internal Auditing, which will continue the same key elements of insight, assurance, and advice. The guidance currently references the mission in Section 4.3 paragraph 123. We will be happy to work with you to review any necessary changes to references before publication.

After careful review by The IIA's Public Sector Knowledge Group, we make the following suggestions:

In the Introduction, Paragraph 5 states "strong internal audit that provides reliable information on the entities' operations is a valuable partner for SAIs." Since other parts of the organization may provide "reliable information," we believe it would be better to define this as "assurance information" to distinguish the value internal audit provides compared to other second line functions within the organization and even management.

In Section 2 Understanding, Paragraph 6, we suggest a clarification by adding the word “international”: “The concept of internal auditing is implemented, in various ways, in the majority of national and international level private and public organisations.”

Additionally, we are concerned that the last sentence of Section 2, Paragraph 8, may be misconstrued, as it states that internal audit is “...one of the key elements of the system and, at the same, as the first reviewer of this system.” This wording makes it appear that internal audit is auditing itself. It is important to be clear that internal audit is independent of management’s operations and, as the third line, can provide independent assurance over the design and implementation of controls. This is adequately recognized in Paragraph 15. We suggest Paragraph 8 be clarified to acknowledge internal audit is an important part of monitoring internal controls and providing assurance.

Section 2.1, Paragraph 10, references the definition of internal auditing, however the word ‘perceives’ is used. This is misleading as it is not the perceived but the actual definition of internal auditing. We believe it would be better for audiences of both Standards to use the same definition of internal auditing rather than INTOSAI maintaining its own, as in Paragraph 11. The IIA maintains the Definition of Internal Auditing as “An independent, objective assurance and advisory activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.”

With its IPPF Evolution Project, The IIA will be referencing “advisory services” rather than consulting. This terminology is more aligned with the purpose statement element of “advice” and separates internal auditing from other service providers that may provide consulting services. Additionally, we do not believe Paragraph 12 is necessary, as these are private sector examples that vary significantly from work performed in the public sector.

In Paragraph 18, the explanation of the purpose of audit universe is not aligned with practices in the public sector. In the public sector, the focus of assurance and advisory work is often on performance. In its *Standards*, The IIA stresses the need for an internal audit function to create a risk-based audit plan. The intent of the audit universe is to ensure all auditable entities are identified, not to set a specific timeframe for engagements. How often a particular topic has been audited can be an important consideration for the creation of an audit plan. However, public sector internal audit functions do not necessarily base audit plans on a cycle, rather on the results of the annual risk assessment process. The last sentence of this paragraph aligns with The IIA’s perspective.

In Section 2.3 Public Sector Perspective, specifically under Focus on Public Interest, we suggest adding a reference to The IIA’s Supplemental Guidance (part of the IPPF) – Unique Aspects of Auditing in the Public Sector Practice Guide. We believe this guidance expands on what this means to auditors working specifically in the public sector.

In Section 3.3 Risks of Cooperation, under Levels of Collaboration – Full Review, Paragraph 60, the draft guidance references The IIA’s Capability Model (also referenced in Paragraph

144). We believe a better reference is our Practice Guide titled Building an Effective Internal Audit Function in the Public Sector.

Additionally, in Section 4.2 Environment and Input, Paragraph 113 on Standards under Intellectual Capital, it is stated "compliance with standards and accompanying practices is periodically examined in line with the IIA rules." We prefer the reference to "IIA rules" be stated as "The IIA's *Standards*."

In both paragraphs about external assessments, we suggest the reference be to the requirement for a Quality Assurance Improvement Plan, which includes both required external assessments (this could be used in Paragraph 60 as a method for reliance by the SAI) as well as internal assessments. The quality assessment process includes "reliability" of the internal audit function's work as well as an assessment of independence. It also includes most of the objectives listed under Internal Audit Reports, paragraphs 146, 151 and 152.

Access to Audit Documentation, Paragraph 70, states that internal auditors, as part of an auditee, can usually access SAIs' audit documentation, in some cases under specific conditions. We believe adding "by consent of the SAI" would be valuable here to specify the specific conditions. Not all auditees have direct access to all of their SAIs' audit documentation. We suggest this be changed to: "...internal auditors, as part of an auditee, can usually access SAIs' audit documentation by consent of the SAI, in some cases under specific conditions."

Under Quality, Paragraph 76, consider revising the last part of the statement: Change "The main objective of cooperation between external and internal auditors in developing methodologies, like using IT audit tools, is to achieve a more balanced and comparable quality of their work" to "...methodologies, like using IT audit tools, is to improve efficiency and effectiveness in conducting assurance and advisory services."

In Section 4.2 Environment and Input, Paragraph 98, it is unclear what this statement is trying to say. It should be reviewed and possibly re-worded for clarity. Also, in this section under Organization Position, Paragraph 99, it is important that this paragraph be clear. INTOSAI should consider removing the "only" in the following sentence and adding "best" to include all types of situations that may exist: "internal auditors can best be useful for their organisations if they understand them deeply and possess sufficient expert knowledge corresponding with the organisation's activity domain."

In Independence, Section 4.3 Governance and Management, Paragraph 129, we do not agree with the following statement in its entirety: "By definition, internal audit is usually in a weaker position in this respect than external audit and a Supreme Audit Institution in particular." While we agree with reference to a SAI, we do not agree internal audit is weaker in its independence than an external auditor, as the external auditor, particularly in the private sector, is selected by the entity and the entity pays the external auditor for the engagement. Therefore, there is very little difference in independence between the two.



The Institute of
Internal Auditors
Elevating Impact

Both internal auditors and external auditors work for the organization for which assurance and consulting services are being provided.

Under Responsibilities, Paragraph 132, INTOSAI should consider adding a timeframe such as “recently,” so as to not prohibit an internal auditor from ever providing assurance over something that they had previously been responsible for. Under Other Activities, Paragraph 140, INTOSAI could add a reference that these are examples of second line functions, to distinguish from internal audit, which is a third line function.

Please feel free to contact Pamela J. Stroebel Powers, CIA, CGAP, CRMA, Director, Professional Guidance – Public Sector (Pam.StroebelPowers@theiia.org) if you have any questions about this response or require any additional information.

Sincerely,

Anthony J. Pugliese, CIA, CPA, CGMA, CITP
President and Chief Executive Officer
The Institute of Internal Auditors, Global Headquarters