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Ms. Frederikke Lillehaug

Via email: [Frederikke.lillehaug@riksrevisjonen.no](mailto:Frederikke.lillehaug@riksrevisjonen.no)

**RE: Exposure Drafts ISSAI 4000 Compliance Audit Standard.**

Dear Ms. Lillehaug:

On behalf of the more than 180,000 global members of The Institute of Internal Auditors (IIA), I am pleased to provide our general observations and specific comments on INTOSAI's ISSAI 4000 exposure draft document. The exposure draft was reviewed by a team of leaders in the internal audit profession, representing The IIA's global reach and public sector experience.

A Memorandum of Understanding (MoU) between the Professional Standards Committee (PSC) of the International Organization of Supreme Audit Institutions (INTOSAI) and The IIA recognizes the importance for SAIs to rely on the work of internal audit. Overall, we support the revisions to ISSAI 4000.

Our recommendations for strengthening the document to further recognize the important role SAIs play with regard to compliance auditing are:

**Make a distinction between the terms "independence" and "impartiality."**

Paragraphs 35-39 cover *Independence and ethics*. While related, we believe there is a fundamental difference between being independent and being impartial. The IIA makes a similar distinction in its International Standards for the Professional Practice of Internal Auditing (*Standards*), but we use the term "objectivity" rather than "impartiality."

The *Standards* define "independence" as: "The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner." Therefore, the ability to be "independent" is generally a function of the reporting relationship(s). Whereas, we define "objectivity" as: "An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others."

Therefore, we suggest that the ability to be “impartial” is the result of being able to take an unbiased approach to your work. You can be independent, while not being impartial. And, conversely, you can be impartial, while not having an independent reporting relationship.

**Obtain concurrence from the audited entity of the audit criteria being used.**

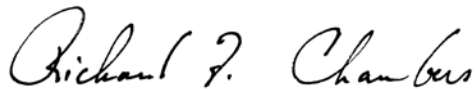
Paragraphs 86-93 cover *Identifying audit criteria*. After the audit criteria is identified, a good practice to enhance the acceptance of reportable audit conditions (findings) is to share and receive concurrence from the audited entity on the criteria being used. Taking such an approach would further establish a basis of understanding as to why certain conditions are being reported and aid in the acceptance of any recommendations.

**Provide further direction on limited assurance engagements.**

Paragraphs 100-104 cover *Identifying the level of assurance*. The exposure draft allows for the provision of limited assurance engagements (separate and distinct from reasonable assurance engagements). While the concept of providing a level of assurance that is less than reasonable assurance is well understood by professional accountants and auditors, the distinction between reasonable assurance and limited assurance is not well understood by users of audit reports. The standards would benefit by further elaboration on steps that should be taken in advance of any limited assurance engagements. This might include helping to ensure user needs will be met in such situations and what should be included in audit reports so as to help to mitigate any misunderstandings with regard to the level of assurance being provided.

Please do not hesitate to contact Francis Nicholson, the IIA’s Managing Director of Global Advocacy, if you have any questions about this response and/or would like to schedule a time for us to either meet in person or via conference call. Mr. Nicholson can be reached at [francis.nicholson@theiia.org](mailto:francis.nicholson@theiia.org) or +1-407-937-1236.

Best regards,



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