October 31, 2009

F. VANSTAPEL, Senior President
Belgian Court of Audit
Regentschapsstraat 2 rue de la Régence
B-1000 Brussels

Response e-mailed to: internalcontrol@ccrek.be

Re: INTOSAI GOV 9150 Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector Exposure Draft

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) welcomes the opportunity to respond to the INTOSAI GOV 9150 Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector exposure draft. Our comments are based on a thorough analysis and discussion, utilizing a core team of audit experts who serve on The Institute of Internal Auditors’ Professional Issues Committee.

We agree with the basic premise of the exposure draft that increased coordination and cooperation between SAIs and internal auditors in the public sector can result in improved public sector management. Both SAIs and internal auditors assess government’s performance in the stewardship of public funds and recommend improvements to risk management, control, and governance processes within government organizations. Opportunities to cooperate include sharing audit plans, exchanging audit methodologies, and discussing perspectives on risk management and control practices within the audited entities. Although SAIs and internal auditors share common goals, the exposure draft recognizes that each has a unique role to play. In that respect, while there may be occasions when joint audits occur, it would not be in the normal course of events as differences in timing and scope often preclude joint audits.

Our detailed responses to the specific questions asked can be found in Attachment A.

The IIA welcomes the opportunity to discuss these comments and recommendations with you. We thank you in advance for considering our comments. Should you have any questions or need any additional information, please do not hesitate to contact me.

Best Regards,

Richard F. Chambers, CIA, CGAP, CCSA
President and CEO

About The Institute of Internal Auditors
The IIA is the global voice, acknowledged leader, principal educator, and recognized authority of the internal audit profession and maintains the International Standards for the Professional Practice of Internal Auditing. These principles-based standards are recognized globally and are available in 32 languages. The IIA represents more than 160,000 members across the globe and has 101 affiliates in 165 countries that serve members at the local level.
Attachment A
The Institute of Internal Auditors’
Response to INTOSAI GOV 9150 Exposure Draft

The following are our specific comments on each of the areas covered by the proposed guidance.

1. Can you agree with the assumption that cooperation between SAIs and internal auditors can benefit both parties?

- The IIA agrees with the basic premise that cooperation between SAIs and internal audit functions can benefit both parties. Such cooperation would include, for example, an exchange of information on key risks and controls within a government organization, as well as shared descriptions of key systems. The cooperation must be based upon mutual respect and coordination of planning activities by both the SAI and internal auditing. Furthermore, both parties must make concerted efforts to establish and maintain a strong working relationship.
- The document suggests the SAI will determine the most appropriate division of tasks within any specific audit (comment on page 3) conveying the impression that internal audit functions are resources to be used under the direction of the SAI. To the extent that internal auditing carries out tasks on behalf of the SAI, they are not able to undertake audits identified through their own risk-based audit plans, thus diminishing the important contribution internal auditing brings to the organization. It is important for SAIs and internal auditing to agree as to how they can best support each other and the goals of the organization.
- To maintain independence, it is unlikely that SAIs would accept direction or guidance from an audit committee on the nature or extent of cooperation with the internal audit function. SAIs conduct their work under terms of a legislative mandate. This situation may vary; however, depending upon the legislative or regulatory framework in place within a given country.
- A potential question is whether SAIs would grant internal audit functions access to SAIs’ files to improve the efficiency of internal auditor’s efforts. At present, many SAIs do not make their working papers available to internal auditing.
- Page 7 of the document appropriately sets out the benefits of coordination and cooperation.

2. Can you agree with the assumption that the independence of the internal audit function is a prerequisite for an efficient cooperation?

- Independence of the internal audit function is an important prerequisite to an SAI’s reliance on internal audit work. In assessing that independence, the SAI should consider the results of any quality assessments of the internal audit function. In addition, the SAI should consider the issues set out on page 12 of the exposure draft.
- The exposure draft could be strengthened by noting some of the factors that contribute to the independence of the internal audit function. Key contributing factors are the head of internal auditing’s appointment by a senior government official, the head of internal auditing’s reporting relationships, the placement and organizational status of the internal audit function, and professionally qualified internal auditors who adhere to The IIA’s International Professional Practices Framework.
- More detail is needed regarding the fact that internal auditing does not have the same level of independence as an SAI. Most internal audit functions are unlikely to meet the external auditor definition of independence. Thus, the SAI may decide to lessen their reliance on internal auditing’s work. Although independence helps ensure objectivity, internal auditor objectivity is paramount and must be considered when determining reliance on the work of internal auditing.
Therefore, the exposure draft should also stress and provide more detail on internal auditor objectivity.

3. **Are joint audits for specific areas to be included in the modes of cooperation between SAIs and internal auditors?**

   - In ideal situations, joint audits can be cost effective and provide broader coverage of key risk areas within a government organization.
   - In the event such audits are conducted, each party will need to agree to clearly established roles and responsibilities, the work to be completed, and the manner in which the results will be reported, including who will report the results. Both parties would need to agree to the messages communicated in the audit reports and ensure consistency between internal audit and SAI reports. SAIs should disclose in their reports the extent of reliance on the work of internal auditing.

4. **Is internal auditor follow up about the implementation of the SAI’s audit recommendations to be mentioned explicitly and separately as a way of cooperating?**

   - Internal auditing’s follow up of recommendations made by SAIs can be noted as an illustrative example of how the two groups can cooperate. However, the working premise should not be that internal auditing is required to follow-up on SAI recommendations, as this creates the impression that internal auditors are resources of the SAI to be used at its direction.

**Other Comments: Page 5 – Roles and Responsibilities**

The first sentence of the second paragraph states “Internal auditors work for and report to management of the audited entity, while SAIs function as external auditors and report to the legislature or parliament and the public.” The last portion of the sentence “and the public” should be deleted. In general, there is no reporting relationship between SAIs and the public.

The exposure draft references The IIA’s Professional Practices Framework (PPF) (e.g., note 2 and 4 on page 5 and under IIA on page 14). In January 2009, The IIA released the updated International Professional Practices Framework (IPPF). As the conceptual framework that organizes guidance promulgated by The IIA, the IPPF’s scope has been narrowed to include only authoritative guidance developed by IIA international technical committees following appropriate due process. Authoritative guidance consists of two categories:

**Mandatory.** Conformance with the principles set forth in mandatory guidance is required and essential for the professional practice of internal auditing. Mandatory guidance is developed following an established due diligence process, which includes a period of public exposure for stakeholder input. The three mandatory elements of the IPPF are the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards).

**Strongly Recommended.** Strongly recommended guidance is endorsed by The IIA through formal approval processes. It describes practices for effective implementation of The IIA’s Definition of Internal Auditing, Code of Ethics, and Standards. The three strongly recommended elements of the IPPF are Position Papers, Practice Advisories, and Practice Guides.
Footnote 5 on page 6 references “The Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing, (Altamonte Springs, FL: October 1, 2008), 1100.” This reference should be removed in relation to the noted statement, “Although internal auditors may be part of the organisation they audit, certain safeguards can be put in place to help protect the independence and objectivity of the internal audit function.” Standard 1100 states, “The internal audit activity must be independent, and internal auditors must be objective in performing their work.”