

February 29, 2012

Professional Accountants in Business (PAIB) Committee
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017 USA

Response e-mailed to www.ifac.org

RE: PAIB Committee Exposure Draft of the Proposed International Good Practice Guidance (IGPG) – Evaluating and Improving Internal Control in Organizations

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) appreciates the opportunity to provide comments to the *PAIB Exposure Draft of the Proposed IGPG on Evaluating and Improving Internal Control in Organizations*. This topic is highly important to our constituents. As defined in The IIA's *International Professional Practices Framework (IPPF)*, "Internal auditing is an independent, objective assurance and consulting 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 risk management, control, and governance processes.**" Evaluating and improving internal control in organizations is at the core of internal audit activities.

We collaborated with a number of internal audit thought leaders globally in developing our response. Our comments are based on research, and discussions conducted by a core team of audit professionals who serve on The IIA's Professional Issues Committee (PIC). PIC develops practice advisories and guides on internal controls, governance, risk management, and auditing topics for the IPPF. The response team is represented by Chartered Accountants, Certified Public Accountants, Certified Internal Auditors, and those holding a Certification in Risk Management Assurance worldwide who have worked in the public and private sectors, internal and external auditing, and small, medium, large domestic and multinational organizations.

Our principal comments and observations are summarized below. Our responses to the specific questions, comments and suggested changes for consideration are in Appendix A.

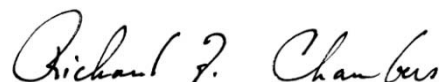
1. We strongly support the PAIB Committee's collaboration with other professional accounting, auditing and risk management organizations to issue an integrated guidance on governance, risk management and internal control. Internal control is a subset of risk management, which in turn is a subset of governance. Creating a guideline integrating risk management, governance and internal control concepts would demonstrate and reinforce that together, all are integral parts of an effective governance system.
2. Professional accountants are encouraged throughout the document to take a leading role in developing, executing and monitoring internal controls throughout an organization (e.g., A5, B1, B4, C3, D2, and G6). However, care should be taken to ensure that the background and

qualifications of the professional accountant are sufficient for this task. Risk management and internal controls reach into all aspects of an organization and would likely involve subject areas outside of the typical professional qualifications and experience of many, if not most, professional accountants. The assumption throughout the document that all professional accountants have the breadth and depth of competencies to engage in this expansive scope of involvement should be explicitly tempered with direction to ensure the professional accountant has the competencies required.

3. Professional accountants in business who desire to have an impact on internal control beyond their assigned function need senior management sponsorship and funding support. PAIBs would also benefit from collaborating with the internal audit function within their organization on internal control related matters. Internal Audit is an independent, objective assurance and consulting activity. Its core mission is to evaluate and improve the effectiveness of governance, risk management and internal control processes throughout the organization. Internal Audit has board sponsorship and reports to the audit committee.
4. The IGPG aims at helping professional accountants evaluate and improve internal control systems by highlighting **only those areas where practical application of internal control framework often fails or could be improved in organizations**. The title of this IGPG “Evaluating and Improving Internal Control in Organizations” is misleading; it conveys a comprehensive control evaluation guide. The title should be replaced by one that accurately reflects its scope and purpose. We offered several alternatives in our detailed response.
5. We noted conflicting statements regarding the intent of this IGPG. According to 2.4, this IGPG only focuses on those areas where internal control is often applied incorrectly in organizations. By design, this is not a comprehensive framework for control evaluation. However, question #3 and the Guide for Commentators suggest otherwise. It is important to resolve these conflicts and adjust the IGPG accordingly.

The IIA welcomes the opportunity to discuss any and all of these comments with you. We offer our assistance to the PAIB in the continued development of this IGPG.

Best Regards,



Richard F. Chambers, CIA, CGAP, CCSA, CRMA
President and Chief Executive Officer

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 (Standards). These principles-based standards are recognized globally and are available in 29 languages. The IIA represents more than 170,000 members across the globe and has 105 institutes in 165 countries that serve members at the local level.