

COMMENTS RECEIVED ON 9150

- Austria
- Azerbaijan
- Cambodia
- Canada
- Costa Rica
- Denmark
- Finland
- France
- Guatemala
- Hungary
- Iceland
- Indonesia
- Institute of Internal Auditors (IIA)
- Kuwait
- Latvia
- Norway
- PSC Secretariat
- Singapore
- Sweden
- United Arab Emirates
- United Nations Development Programme (UNDP) – office of audit and investigations
- USA (GAO)

REPLIES FROM INTOSAI MEMBERS ON 9150 WITHOUT COMMENTS

- Albania
- Estonia
- Czech republic
- Poland
- UK (NAO)

COMMENTS ON THE QUESTIONS WITH REGARD TO DOCUMENT 9150

BASIC QUESTIONS

1. Can you agree with the assumption that cooperation between SAIs and internal auditors can benefit both parties?
2. Can you agree with the assumption that the independence of the internal audit function is a prerequisite for an efficient cooperation?

SPECIFIC QUESTIONS

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

From	Answer	Explanations
SAI Austria	<ol style="list-style-type: none"> 1. Yes, we fully agree 2. Yes, we fully agree 3. Reluctant to include 4. Yes, we agree 	3. In respect of joint audits between SAI's and internal auditors, we think that the different functions and missions have to be taken into account.
SAI Azerbaijan	<ol style="list-style-type: none"> 1. Yes, we agree 2. Yes, we agree 3. Conceptually, we have no objection against the inclusion of joint audits. 4. We have no objection, but ... 	<ol style="list-style-type: none"> 1. it will bring significant benefit in strengthening control of utilization of public funds and ensure more effective audits. 2. Independence in audit is vital for both SAIs and internal auditors. 4. only if this will not result in the weakening of responsibility of the heads of audited entities for the implementation of the SAI's recommendations.

SAI Cambodia	<p>1. Yes, Cambodia SAI agrees 2. Yes, Cambodia SAI agrees 3. Yes 4. Yes but internal audit needs to be competent, ...</p>	<p>3. Cambodia SAI had never joint audit with internal auditors. In the future Cambodia SAI will join with internal auditors, because all of internal audit are just recently established. 4. Not all of Internal auditors do follow up about implementation of Cambodia SAI's audit recommendations because of their limited roles and competency.</p>
SAI Canada	<p>1. Yes 2. Yes 3. No 4. Yes</p>	<p>3. In my view, joint audits for specific areas should not be included in the modes of cooperation between SAIs and internal auditors. In Canada, joint auditors are jointly and severally responsible for the audit opinion issued. As internal auditors normally do not have the same mandate as an SAI, I think it would be unusual therefore that an internal auditor would have the mandate to issue and opinion jointly with an SAI. For this reason, I recommend this reference be removed from the modes of cooperation section. 4. could be mentioned explicitly and separately as a way of cooperating.</p>
SAI France	<p>1. Yes, ... 2. Yes, definitely 3. No 4. Yes</p>	<p>1. Cooperation between SAIs and internal auditors can indeed benefit both parties, as it appeared for instance in the relationships between the Cour des comptes (French SAI, external auditor) and the French administration internal auditors : - in accordance with ISA610, the Cour des comptes was able to review and use internal auditor's reports and conclusions ; - internal auditors took into account the Cour des comptes conclusions when designing their audit plan and strategy, and improved their organization and audit methodology following Cour des comptes assessments. 2. Yes, definitely as internal auditor must be free to communicate its conclusions unbiased to the external auditors, as they may be used as audit evidence within external auditors audit investigations. 3. Joint audits should not be considered as a way of cooperation between SAIs and internal auditors, in order to guarantee external auditor independence towards the entity subject to audit. 4. By following up the SAI's audit recommendations, internal auditors contribute to external audit effectiveness and thus to financial information and governance overall quality. This is a significant step of the audit process that should definitely be mentioned explicitly and separately.</p>

SAI Guatemala	<ol style="list-style-type: none"> 1. Yes, we agree 2. Yes, we agree 3. Yes, we agree 4. Yes, we agree 	
SAI Hungary	<ol style="list-style-type: none"> 1. Yes, 2. Yes, we agree 3. We do not agree 4. Yes 	<p>1. cooperation is not only useful, but also necessary for both parties.</p> <p>3. Increasing the effectiveness and efficiency of external audits by the cooperation with internal auditors is only one of the several aspects that play a role in ensuring the high level of reliability of audits performed by SAIs.</p> <p>Carrying out a joint audit may be useful both for internal auditors and for SAIs, since important and useful information can be shared. However, we think that before starting a joint audit it would be reasonable to examine the mandate of the audit institutions provided by law. The tasks of an internal audit function are to monitor, analyse, evaluate and examine internal controls, while SAIs audit the operation of the internal control systems, which also include the internal audit function, therefore SAIs audit the activity of internal auditors. In case of a joint audit an internal auditor cannot audit its own activity. It is also unambiguous that the internal audit unit reports to the management, while SAIs report to the Parliament. Accordingly, decision on carrying out joint audits – especially on specific areas - must be made individually, by considering all aspects.</p> <p>4. since despite of the fact that SAIs have regular procedures for following up the recommendations, it is useful both for SAIs and for the internal audit function to have an independent feedback on the implementation of audit recommendations. Recommendations of SAIs may provide a useful guide for internal auditors.</p>

SAI Indonesia	<ol style="list-style-type: none"> 1. Yes, we agree 2. Yes, we agree 3. Yes, we agree 4. No,... 	<ol style="list-style-type: none"> 1. SAIs and internal auditors share common goal of promoting good governance in the area they audit through their audit activities. As such, they could achieve this goal by working together under their own professional standards. 2. Yes, we agree. <u>Yet, we think that this is not the only factors should be considered in building cooperation and coordination</u> between SAIs and internal auditors. There may be other factors that are important, such as the competence of the internal auditors related to audit matters of SAI's interests and the legal possibility for SAIs to work with internal auditors. 3. We consider joint audit can be included as modes of cooperation. SAI of Indonesia has several experiences conducting joint audit with government's internal auditors. 4. We think that following-up SAIs' audit recommendations performed by internal auditors could not be considered as part of cooperation between SAIs and internal auditors; although during this process there might be some coordination and cooperation activities. In following-up process, the internal auditors tend to be more a representative of the organization being audited assigned to facilitate communication between the organization and SAI.
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IIA	1. Yes, we agree	<p>1.</p> <ul style="list-style-type: none"> • 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.
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<p>IIA</p>	<p>2. Yes, we agree</p> <p>3. 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.</p>	<p>2.</p> <ul style="list-style-type: none"> • 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. <p>3.</p> <ul style="list-style-type: none"> - 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.
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IIA	4. can be noted as an illustrative example	4. 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.
SAI Latvia	1. Yes, SAO fully agrees 2. Yes, SAO fully agrees 3. Yes 4. Yes, we agree	3. Although the SAO has no experience in performing joint audits with internal auditors, we do cooperate with internal auditors and where it is possible we do relay on their work. Therefore we assume that the joint audits for specific areas are to be included in the modes of cooperation between SAIs and internal auditors. 4. It is a good way of cooperation and it is to be mentioned explicitly and separately. Regarding to Latvia, nowadays it is a very common practice how the SAO cooperates with internal auditors.
SAI Norway	1. Yes 2. Yes 3. Yes, however .. 4. Yes	3. However it may be difficult to identify specific areas for joint audits that are applicable to all due to SAIs' independent requirements and organizational differences between entities and countries. 4. It should however be mentioned that this is a natural part of the internal auditor's mandate (see also IIA Practice Advisory 2500.A1-1).
SAI Singapore	1. Yes, we agree 2. Yes, we agree 3. Yes, we agree 4. Yes, we agree	

SAI Sweden	<p>1. Yes, we can</p> <p>2. Yes, we can even though ..</p> <p>3. No, we do not see the point in including joint audits.</p> <p>4. No, we do not think it is necessary.</p>	<p>2. Yes, we can even though full independence is not possible for internal auditors.</p> <p>3. Joint audits are usually not performed, since the full responsibility for the audit lies within the SAI. However, it is sometimes possible to rely on the work performed by the internal auditors. We also sometimes perform interviews for an audit together with the internal auditors, if we are involved in audits in the same area, but for some reason unable to rely on the work performed by the internal auditors.</p> <p>4. This is normally something that the SAI should do, but we may of course rely on the work of the internal auditors if they have performed such a follow up.</p>
SAI United Arab Emirates	<p>1. Yes</p> <p>2. Yes</p> <p>3. No</p> <p>4. No</p>	<p>3. There should be coordination and cooperation. Sais should be able to rely on the work of internal audit if required. External audit and internal audit have specific roles and different reporting objectives. Joint auditing could create potential risk to SAI independence.</p> <p>4. Follow up of audit recommendations is the responsibility of the auditor who performed the audit, wheter it is external or internal audit. Although the follow up of SAI recommendations is good practice to ensure they have been implemented, it should not be a mandatory requirement for this to be performed by internal audit.</p>

COMMENTS FROM INTOSAI MEMBERS AND IIA AND UNDP

Principles	Initial text in the exposure drafts	propositions	From
Areas of coordination and cooperation last bullet		The subcommittee should consider revising the reference to performing audit procedures of multi-located entities in the last bullet of this paragraph. In my view, a general reference should be made to performing audit procedures rather than to multi-located entities. Internal auditors and SAIs can cooperate in areas other than multi-located entities.	SAI Canada
Suggestion		As to the coordination and cooperation between SAIs and internal auditors in the public sector, our law system calls for internal auditors to assist and cooperate in an obliged manner with the work of Controller General's auditors, when required to. This could be a best practice to refer to in the document.	SAI Costa Rica
General comments and specific comments Page 3, section 5 (and page 5, section 2)	"Internal auditors work for and report to management of the audited entity".	In Denmark, internal (section 9) audits are also reported to the ministerial department and to Rigsrevisionen.	SAI Denmark
Introduction Page 3, section 6	"Both SAIs and internal auditors can perform the full range of government audits".	This is not entirely true of internal (section 9) audits in Denmark. Their mandate is determined in the section 9 agreement, and it never comprises appropriation control. Furthermore, it includes certain limitations concerning performance audit. Internal auditors are performing more performance audits than in the past, but for obvious reasons these audits are not comparable to Rigsrevisionen's major studies.	SAI Denmark

Introduction page 3, last section,	”their respective constitutional and legislative frameworks”.	For internal (section 9) audits in Denmark, the section 9 agreements represent the interesting element, and therefore it would be better to use the term ”agreements”.	SAI Denmark
Roles & responsibilities page 5, section 3	”fraud”.	Maybe “fraud” should be mentioned last, as it is not the most frequently occurring irregularity.	SAI Denmark
Roles & responsibilities page 5, section 4 in connection with notes 3 and 4:		Does this concern only the regulations governing SAI independence in the standards? The reference to the IIA framework, standards, and practice poses a problem. The internal auditors that are employed under a section 9 agreement in Denmark must use Rigsrevisionen’s audit standards, otherwise we cannot build on their audits and their work will only to a limited extent support our audit opinions.	SAI Denmark
Follow up page 13, last section	”The internal auditor provides follow up about the implementation and fulfilment of audit recommendations, as a way to cooperate with the SAI’s audit processes”.	In practice this can be the case, but I would like to suggest the following phrasing instead: ”In cooperation and understanding with the SAI, the internal auditor provides follow up”.	SAI Denmark
General comments	The substance of Standard 9150 comes in part within the scope of ISSAI 1610 (Financial Audit Guide-line Using the Work of Internal Auditors) instead of the GOV series. Consideration might be given to the deletion or re-formulation of text in which the point of view is emphatically that of the Supreme Audit Institution, leaving the viewpoint of the Standard as that of administration (the internal audit function) itself. This viewpoint would be introduced first and only then, if necessary, that of the SAI.	“If internal audit is judged to be effective, efforts shall be made, without prejudice to the right of the SAI to carry out an overall audit, to achieve the most appropriate division or assignment of tasks and cooperation between the SAI and internal audit (ISSAI 1, section 3, par. 3)...” “If internal audit is judged effective by the SAI, there is opportunity to division or assignment of tasks and cooperation between the SAI and internal audit (ISSAI 1, section 3, par. 3)...”	SAI Finland

Introduction Page 4	The following text sections are proposed for deletion:	“When the SAI uses the work of an internal auditor, it must apply adequate procedures to provide assurance that the other auditor has exercised due care and complied with relevant auditing standards, and may review the work of the other auditor to satisfy itself as to the quality of that work (ISSAI 200, par. 2.45).”;	SAI Finland
Ways to organize the coordination and cooperation Page 10	The following text sections are proposed for deletion: Ways to organize the coordination and cooperation		SAI Finland
Timing of coordination and cooperation Page 11	The following text sections are proposed for deletion: Timing of coordination and cooperation		SAI Finland
Introduction Page 4	The following text sections are proposed for deletion: “When an SAI has determined that an entity’s internal audit function is likely to be relevant to its audit, the SAI will determine (a) whether, and to what extent, to use specific work of the internal auditors; and (b) if so, whether such work is adequate for the purposes of the audit (ISSAI 1610, ISA 610, par. 6).”;		SAI Finland
Introduction Page 4	The following text sections are proposed for deletion: “The SAI has sole responsibility for audit opinions expressed, and that responsibility is not reduced by its use of the work of the internal auditors (ISSAI 1610, ISA 610, par. 4).”		SAI Finland

e-platform		It is to be noted that similar to the previous draft, this document also provides only general and few new information. However, the e-platform established by the Subcommittee for Internal Control Standards and mentioned at the end of the document provides a background for the drafted suggestions. The aim of the platform is to collect practices from member SAIs in respect of establishing the appropriate internal control of the public sector, good management and cooperation between external and internal audit. This tool can provide useful information to all interested and concerned parties.	SAI Hungary
General remark		<p>We would like to raise the issue concerning external internal auditor. Many public entities are too small to hire an individual as an internal auditor, as it is not cost-effective. It is getting more common in both the public and the private sector to have an external audit firm providing this service. In some cases the same audit firm provides both external and internal audit service.</p> <p>This raises some questions about the status of the internal audit within the entity, trust and independence. Therefore the INAO is wondering if this situation should be reflected in the ISSAI standards.</p>	SAI Iceland (INAO)
the four first pages of the document versus the rest of the document		In the four first pages of the document, information is presented in the narrative form. However, in the rest of the document, information is presented in ‘bullet point’ form. It would be better if information in the document is presented in consistent manner.	SAI Indonesia
Roles and responsibilities page 5	“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.	Institute of Internal Auditors (IIA)

<p>General remark References used in the document</p>		<p>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:</p> <p>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 <i>International Standards for the Professional Practice of Internal Auditing (Standards)</i>.</p> <p>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 <i>Standards</i>. The three strongly recommended elements of the IPPF are Position Papers, Practice Advisories, and Practice Guides.</p>	<p>Institute of Internal Auditors (IIA)</p>
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Footnote 5 on page 6	“The Institute of Internal Auditors, <i>International Standards for the Professional Practice of Internal Auditing</i> , (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.”	Institute of Internal Auditors (IIA)
General comments		1- It is preferred not to expand coordination and cooperation fields between SAIs and internal auditors, as the public sector internal auditor, in many countries, still does not have the independency and subjectivity mentioned in GOV 9150.	SAI Kuwait
General comments e-platform Introduction page 4	“The draft does not include tools ...”	2- The draft does not include tools to activate the relations between SAIs and internal auditors. Although the draft, in the introduction (page 4), states that it does not provide tools or good practices to activate the relationship between the internal auditor and SAIs ,the draft should include the said tools and confirm their effective use instead of the descriptive presentation.	SAI Kuwait
Introduction page 4	“living document”	3- The draft should be unchangeable for a long period to realize stability in application. Instead, it is being mentioned in draft's introduction (page 4), that the draft shall be subject to continuous modifications and amendments.	SAI Kuwait
General comments		4- The draft does not bring out the relation between SAIs and internal audit nor the relation between SAIs and authorities they are subject to.	SAI Kuwait
General comments		5- The draft does not manifest the effect of SAIs evaluation of the internal audit departments activities, and their effect on cooperation and coordination methods among them during SAIs working phases included in the draft.	SAI Kuwait

Roles and Responsibilities subheading SAIs,	The exposure draft does not explicitly mention SAI's right to information from the auditee. OAGN is of the opinion that reference should be made to relevant paragraphs in the Basic Principles in Government Auditing, and suggests a new paragraph four with the following wording:	"The SAI must have access to the sources of information and data from the CAE in order to carry out its audit responsibilities. However, management should be allowed time to consider internal audit reports before submitted to the SAI (see also ISSAI 100, par. 32-33)"	SAI Norway
last page, 3th bullet Concluding, finalisation, and reporting stage:	"The SAI discusses any discrepancies with the internal auditors and reports on it."	In OAGN's opinion, it is not clear to whom the SAI should report to on this issue. It is presumed that it is to the management, or the board or other oversight body and not to the legislative body. We suggest that this is clarified.	SAI Norway
General comments		<p>references made in ISSAIs and INTOSAI GOVs to other ISSAIs and INTOSAI GOVs should follow the agreed format:</p> <p>The Classification Principles – page 15 – item 6 When convenient, a reference to specific items (or sections and subsections within an ISSAI or INTOSAI GOV document can be made by adding the number of the item to the ISSI-number with a slash. E.g. ISSAI 3000/5.4 is referring to item 5.4 in ISSAI 3000.</p> <p>If at all possible, it would be greatly appreciated if you could follow that format in INTOSAI GOV 9140 and 9150.</p>	PSC secretariat (Rigsrevisionen)
Page 6, 1st dot point	Internal auditors examine and contribute to the ongoing effectiveness of the internal control structure...	Internal audit contribute to the ongoing effectiveness <u>and efficiency</u> of the internal control structure.	SAI United Arab Emirates

Page 6, 2nd paragraph	Although internal auditors may be part of the organization they audit, ...	Internal auditors may be part of the organization they audit. Further explanation could be included explaining independence and objectivity if internal audit work in an organization is performed by a service provider. a service provider should not perform internal audit work if they are also the external auditor or if they provide non-audit consulting services to that organization. This point should also be made as a dot point on page 8 (potential risks of coordination and cooperation.)	SAI United Arab Emirates
Page 12, planning stage, 2nd dot point	“When the SAI intends to use the work of the internal auditor, the SAI should evaluate :”	SAIs should evaluate the independence of the internal audit activity before relying on the work of the internal auditor.	SAI United Arab Emirates
Introduction Page 3	Although SAIs and internal auditors have differing and clearly defined roles, their collective purpose is <u>broadly</u> to promote good governance through contributions to the <u>regularity and propriety of the</u> use of public resources, as well as to promote efficient, effective, and economic public administration.	Remove : - Broadly - regularity and propriety of the	SAI USA (GAO)
Introduction Page 3	In developing <u>an</u> internal auditor/SAI coordination and cooperation, cognizance should be given to ...	Remove an	SAI USA (GAO)
Introduction Page 3	Both SAIs and internal auditors can perform the full range of government audits, <u>each group has</u> distinctive and important contributions <u>to make to each type</u> . (The scope of internal auditor/SAI coordination and cooperation covers <u>regularity</u> and performance audits.) Compared to the internal auditor, however, the SAI has the additional <u>task of examining</u> the effectiveness of the internal <u>auditor</u> .	Replace <u>each group has</u> by “and can offer” Remove <u>to make to each type</u> . Replace <u>task of examining</u> by “responsibility of evaluating” Replace <u>auditor</u> by audit function Replace <u>regularity</u> by “financial compliance”	SAI USA (GAO)

<p>Introduction Page 4</p>	<p>For both SAIs and internal auditors, the need for independence and objectivity <u>in audit is vital</u>. <u>Internal auditor’s ... coordinate and cooperate with an internal auditor.</u></p>	<p>replace <u>in audit is vital</u>. by “is essential.” Replace by “internal auditor’s independence and objectivity is an important factor in determining whether and to what extent SAIs can use the work of the internal auditor (ISSAI 1610, ISA 610, par. 9).</p>	<p>SAI USA (GAO)</p>
<p>Introduction Page 4</p>	<p>When the SAI uses the work of another auditor, it must apply adequate procedures to provide assurance that the <u>other</u> auditor has exercised due care and complied with relevant auditing standards, <u>and</u> may review the work of the <u>other</u> auditor to satisfy itself as of the quality of that work (ISSAI 200, par. 2.45).</p>	<p>Replace <u>other</u> by “internal” Replace <u>and</u> by “. The SAI “</p>	<p>SAI USA (GAO)</p>
<p>Introduction Page 4</p>	<p>When an SAI has determined ... is likely to be relevant to its audit, the SAI will determine (a) whether, and to what extent, to use specific work of the internal auditors; and (b) if so, whether such work is adequate for the purposes of the audit (ISSAI 1610, par. 6).</p>	<p>par <u>6</u> must be par 8-12</p>	<p>SAI USA (GAO)</p>
<p>Roles and Responsibilities Page 5</p>	<p>Internal auditors work for and report to management As external auditor, the SAI has the <u>task of examining</u> the effectiveness of internal audit. ... will likely benefit both parties (ISSAI 1, section 3 and 16).</p>	<p>Replace by “responsibility of evaluating”</p>	<p>SAI USA (GAO)</p>
<p>Roles and Responsibilities Subheading internal audit (page 5)</p>	<p>In some situations, an internal audit function can be presumed to be free differ from those used by SAIs and external auditors.</p>	<p>Move this paragraph to page 6 to provide for a more logical flow of ideas.</p>	<p>SAI USA (GAO)</p>

Roles and Responsibilities Subheading internal audit (page 6)	- ... - ... - ...	Suggestion to remove the bullets and create one paragraph of these sentences to provide for a more logical flow of ideas.	SAI USA (GAO)
Roles and Responsibilities Subheading internal audit (page 6)		Suggestion to move paragraph 4 from page 5 here	SAI USA (GAO)
Roles and Responsibilities Subheading SAI (page 6)	In most countries, SAIs have a wider range of responsibilities The full scope of government auditing includes <u>regularity</u> and performance audit (<i>ISSAI 100; 39-40</i>), but also special examinations, forensic audits,...	Change <u>regularity</u> into “financial, compliance, “	SAI USA (GAO)
Roles and Responsibilities Subheading SAI (page 6)		Delete definitions of regularity and performance audit	SAI USA (GAO)
Benefits of Page 7	<u>Enabling adequate</u> audit coverage based on risk assessments and the identified significant risks.	Change into “maximizing”	SAI USA (GAO)
Benefits of Page 7	Mutual support on audit recommendations <u>to</u> enhance the effectiveness of audit services, (e.g. follow-up on audit remarks of the SAI by internal auditors).	Change into “which may”	SAI USA (GAO)
Potential risks of Page 8	The possibility that findings of the	Add “potential” in “The possibility that potential findings ...” Delete “(without taking the sole responsibility for these findings)”	SAI USA (GAO)
Modes of cooperation Page 10 last bullet	Joint audits for specific areas	Replace by : - collaborating on certain audit procedures, such as collecting audit evidence or testing data.	SAI USA (GAO)

Ways to organize ... Page 10	<u>Although it is better, from a professional approach and without affecting the confidence grounds, to avoid considering informal relations with the internal auditor, it is possible to co-ordinate and co-operate in an informal way based on goodwill, (e.g. in case of consultations).</u>	Replace by : <u>In certain low-risk engagements, SAIs and internal auditors may co-ordinate and co-operate in an informal way based on goodwill.</u>	SAI USA (GAO)
Ways to organize ... Page 10	Audit committees may encourage co-ordination and co-operation between SAIs and internal auditors.	This sentence can be deleted since it is included in the 3th bullet on page 9	SAI USA (GAO)
Timing of ... Page 11	During the audit	During audit testing	SAI USA (GAO)
Planning stage Page 12	In preparing the audit plan and in determining the audit strategy, if any, of the <u>other</u> auditor's work	Replace <u>other</u> by "internal"	SAI USA (GAO)
Planning stage Page 12	Whether the <u>audit</u> of the internal auditor is carried out with due professional care (...); and	Replace <u>audit</u> by "work"	SAI USA (GAO)
During the audit Page 12	During the audit	During audit testing	SAI USA (GAO)
Introduction General comments 4th paragraph and 10th:		It should be noted that the governance structure of an internal audit function defines its reporting line - which is not limited to or subordinate only to the management level where they report; the IPPF (international professional practices framework for internal auditing) recommends a dual structure, administratively to management and functionally to governing bodies (directly or through an audit committee). This should be better indicated.	UNDP
Roles and responsibilities internal audit 1st paragraph: Page 5	INTOSAI defines may properly carry out the directions of the level of management to which it reports	Again the reference to internal audit 'carry[ing] out the directions of the level of management to which it reports' is contradictory with the expected level of independence of the function, expressed in other parts of the document (introduction, last paragraph in section on IA p6).	UNDP

<p>Third bullet point (p6)</p>	<ul style="list-style-type: none"> • Internal auditors examine and contribute to the ongoing effectiveness of the internal control structure through their evaluations and recommendations and therefore play a significant role in effective internal control. • Management often establishes an internal audit function as part of its internal control and self-assessment framework. In this tradition, the role of internal auditors is a critical part of an organisation’s internal control structure. • However, the mandate of an internal audit function does not include implementation of specific internal control procedures in the organisation. This is the responsibility of management. 	<p>There seems to be a logical flaw in considering the role of the IA function.</p> <p>If the IA function is established and considered a part of the internal control structure of the organization, then the IA cannot assess and provide an opinion on a system in which it is a part, and the EA cannot rely on it. The definition of IA places it at a very different level – one may call it a meta-level, as the external auditors are, with a different mandate. This allows external auditors to rely on IA.</p> <p>The text suggests somewhat that EA and IA are “peer auditors” with different mandates, therefore promoting cooperation and collaboration between the two with due respect for their mandate and confidentiality. However, in other places of the document, it may be interpreted that IA are subordinate to EA. An example is in section ‘potential risks of coordination’ third bullet point; if one cooperates, the risk of reaching incorrect conclusions works both ways, when one uses/ relies on the work of the other.</p> <p>It should also be reminded that, in some organizations, the internal audit function is under the same organizational heading as an internal (administrative) investigative function (including but not limited to forensics accounting), the latter being the prelude to an internal justice system. Consideration should also be given to confidentiality when an EA reports on such internal investigative cases to governing bodies – not to endanger subsequent judicial proceedings.</p>	<p>UNDP</p>
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timing of cooperation and coordination page 11		The section ‘timing of cooperation and coordination’ reflects both timing and content of cooperation and collaboration – and the title accordingly reflecting it; further, as the spirit is of cooperation and coordination, the section may also reflect the way the internal audit function may use the work of the external auditor.	UNDP
General comments		A paragraph numbering system in the exposure draft would facilitate commenting	UNDP
General comments References used in the document		The reference to the footnote should be checked, regarding the IPPF which came into force on 1 January 2009.	UNDP
Introduction page 4, 2nd paragraph		reference is made to ISSAI 1610. Shouldn't it be now 9140 on IA independence?	UNDP
Roles & responsibilities page 5, footnote 2 and elsewhere		should be updated, IPPF of January 2009 and not ppf anymore.	UNDP
Potential risks page 8, point 4	Possible difference of conclusions or opinions on the work performed by the other party (potential risk of loss of credibility of either party)	This risk exists even without cooperation, but it can be mitigated by a well functioning coordination and cooperation.	UNDP
Modes page 10, points 1 and 2	<ul style="list-style-type: none"> • Communication of audit planning / audit strategy (e.g. joint planning sessions) • Regular meetings between SAIs and internal auditors 	In my view, these methods are indispensable, even if no further cooperation and coordination takes place. They are the minimum, and normally the Audit Committee takes care that audit planning is coordinated.	UNDP

Roles & responsibilities p.5, para 5; line 3	Internal auditors work for and report to management of the audited entity	This is inconsistent with INTOSAI exposure draft 9140. In particular, according to the IIA Practice Advisory 1110-1 (Organizational Independence), “The chief audit executive (CAE), reporting functionally to the board and administratively to the organization's chief executive officer , facilitates organizational independence.” The IIA Practice Advisory 1110-1 (Organizational Independence), see above, describes what “administrative reporting to the CEO” entails. It would be also useful to add from an article in the Internal Auditor magazine (Feb 2007), issued by the IIA: "Internal auditing's first client relationship is with the audit committee, its secondary relationship is with management, and its tertiary relationship with the auditee".	UNDP
Introduction p.4, para 2, lines 1-2	Internal audit services necessarily are subordinate to the head of the department within which they have been established.	Comments as above	UNDP
p.5, para 2; line 1	Internal auditors work for and report to management of the audited entity	Comments as above	UNDP
Roles & responsibilities p.5, para 3, lines 5-6	The internal audit function has many characteristics of external audit, but may properly carry out the directions of the level of management to which it reports.	Based on the above comments, the use of “carrying out directions of management” should be cautioned.	UNDP

Introduction p. 3, para 6, lines 3-4	..the SAI has the additional task of examining the effectiveness of the internal auditor	While this may be promulgated in the INTOSAI Standards, it should be read in conjunction with the IIA Practice Advisory 2050-1 (Coordination), which states in para 7 that: “The CAE is responsible for regular evaluations of the coordination between internal and external auditors. Such evaluations may also include assessments of the overall efficiency and effectiveness of internal and external audit activities , including aggregate audit cost. The CAE communicates the results of these evaluations to senior management and the board, including relevant comments about the performance of external auditors ”	UNDP
Introduction p.3, para 7, lines 1-2	If internal audit is judged to be effective, efforts shall be made, without prejudice to the right of the SAI to carry out an overall audit, to achieve the most appropriate division or assignment of tasks and cooperation between the SAI and internal audit.	This statement suggests that coordination and cooperation is contingent upon SAI first having to have reliance on the internal audit effectiveness.	UNDP
Introduction p.3, para 8; line 3	It [coordination and cooperation] will mostly be organized at the discretion of the SAIs	This statement conflicts with the IIA Practice Advisory 2050-1 (Coordination), which states in para 1 that: “ Oversight of the work of external auditors, including coordination with the internal audit activity, is the responsibility of the board. Coordination of internal and external audit work is the responsibility of the chief audit executive (CAE). The CAE obtains the support of the board to coordinate audit work effectively”	UNDP
Roles & responsibilities p.5,para 3, lines 1-4	INTOSAI defines internal audit function as ...	As the INTOSAI definition is different from the definition in the IIA Standards, the IIA definition of Internal Audit should be brought up from para 5, to be read in conjunction with the INTOSAI definition	UNDP

Roles & responsibilities p.5, para 4	In some situations, an internal audit function can be presumed to be free from organizational impairments to independence...	Suggest to delete the para, as it is inconsistent with INTOSAI exposure draft 9140. Instead, effort should be made between the IIA and INTOSAI to reconcile the differences in the respective definitions.	UNDP
Roles & responsibilities p.5, Footnotes		All three footnotes refer to the Professional Practices Framework (PPF) of the IIA, and not to the new International Professional Practices Framework (IPPF), promulgated by the IIA on 1 January 2009. Regarding footnote 2, it should be corrected that the IPPF includes: 1. Mandatory Guidance Definition of Internal Auditing Code of Ethics <i>Standards</i> 2. Strongly Recommended Guidance Position Papers Practice Advisories Practice Guides Footnote 3 is incorrectly quoting the IIA Standard 1100.	UNDP
Roles & responsibilities p.6, para 1, bullet point 2	Management often establishes an internal audit function as part of its internal control and selfassessment framework.	While internal audit is part of the COSO Internal Control Framework, control component “Monitoring”, as it evaluates the effectiveness of the internal control system, it is incorrect to put internal audit in the same category with the selfassessment framework. For example, KPMG provides a classification of assurance providers, as follows: - Those who report to management and/or are part of management; - Those who report to the board, including internal audit; - Those who report to external stakeholders	UNDP

Benefits of coordination and communication page 7		Add: “Improve coverage”, i.e. avoid gaps	UNDP
Potential risks of coordination and communication page 8		Add: - “Dilution of responsibilities”; - “More confusion for governing body regarding the roles of different oversight bodies”	UNDP
Modes Page 10; the asterisk at the end of para 1	In order to maintain independence of SAIs, internal audit does not have automatic access rights to the audit documentation of the SAI’s	This statement is inconsistent with the IIA Practice Advisory 2050-1 (Coordination), which states in para 2 that: “Organizations may use the work of external auditors to provide assurance related to activities within the scope of internal auditing. In these cases, the CAE takes the steps necessary to understand the work performed by the external auditors, including: - Access to the external auditors' programs and working papers, to be satisfied that the external auditors' work can be relied upon for internal audit purposes. Internal auditors are responsible for respecting the confidentiality of those programs and working papers	UNDP
References Page 14		Reference to the IIA is outdated as it does not correctly reflect the new International Professional Practices Framework, issued in January 2009	UNDP