17 May 2012

International Internal Audit Standards Board

Via e-mail: Lily.Bi@theiia.org

Re: Definition of Internal Auditing

Ms. Lily Bi, CIA, CISA, CGEIT
Director, Standards and Guidance
The Institute of Internal Auditors, Global Headquarters

Dear Ms. Bi,

We very much appreciate the opportunity to provide comments and recommendations to the International Internal Audit Standards Board’s definition of Internal Auditing. These comments and recommendations are offered on behalf of ISACA® and the IT Governance Institute® (ITGI®), international, independent thought leaders on information technology (IT) control, security and assurance, risk management, and governance of enterprise IT.

We believe the updated definition will be useful to practicing internal auditors. We have included our specific comments and our responses to IIASB’s questions in attachment A.

As the worldwide leading independent thought leaders on IT risk, governance and controls, we are eager to assist IIASB in accomplishing its mission. We would be pleased to consider joint projects or other initiatives with IIASB to help achieve its strategies.

Please feel free to call on our organizations if we can be of assistance in any way on further deliberations, task forces or committees.

Again, we appreciate the opportunity to comment on IIASB’s definition of Internal Auditing.

Respectfully submitted,

[Signature]

John Ho Chi, CISA, CISM
Chair, Professional Standards Committee
ISACA (www.isaca.org)
IT Governance Institute (www.itgi.org)
About ISACA and ITGI

With 95,000 constituents in 160 countries, ISACA (www.isaca.org) is a leading global provider of knowledge, certifications, community, advocacy and education on information systems (IS) assurance and security, enterprise governance and management of IT, and IT-related risk and compliance. Founded in 1969, the nonprofit, independent ISACA hosts international conferences, publishes the ISACA® Journal, and develops international IS auditing and control standards, which help its constituents ensure trust in, and value from, information systems. It also advances and attests IT skills and knowledge through the globally respected Certified Information Systems Auditor® (CISA®), Certified Information Security Manager® (CISM®), Certified in the Governance of Enterprise IT® (CGEIT®) and Certified in Risk and Information Systems Control™ (CRISC™) designations. ISACA continually updates COBIT®, which helps IT professionals and enterprise leaders fulfill their IT governance and management responsibilities, particularly in the areas of assurance, security, risk and control, and deliver value to the business.

The IT Governance Institute® (ITGI®) (www.itgi.org) is a nonprofit, independent research entity that provides guidance for the global business community on issues related to the governance of enterprise IT assets. ITGI was established by the nonprofit membership association ISACA in 1998.
**Attachment A—Considerations for revising the definition of Internal Auditing**

1. Overall, do you agree that the current Definition of Internal Auditing explains the essential nature of internal auditing?

   *While the Definition captures the essence of Internal Auditing, the process objective itself could be enhanced, as indicated by the suggested changes to the Definition provided at the end of the response to question 2.*

2. The key phrases of the Definition are listed below. Do these terms effectively communicate “what internal auditing is”? If not, what changes would you suggest?

<table>
<thead>
<tr>
<th>Term (1st occurrence)</th>
<th>Rationale</th>
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</thead>
<tbody>
<tr>
<td><strong>Assurance</strong></td>
<td>The term accurately captures a core contribution.</td>
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<tr>
<td><strong>Appraisal</strong></td>
<td>We recommend adding the term “appraisal.”&lt;br&gt;Rationale: Not all audit engagements are assurance engagements, and a circular definition—using the term “audit” to describe auditing—needs to be avoided.&lt;br&gt;The term “appraisal” aligns with the IFAC International Standard on Auditing (ISA) 610 and INTOSAI’s definition of the internal audit function.</td>
</tr>
<tr>
<td><strong>Consulting</strong></td>
<td>The term accurately captures a core contribution.</td>
</tr>
<tr>
<td><strong>Independent</strong></td>
<td>The term accurately captures the nature of the internal audit function.</td>
</tr>
<tr>
<td><strong>Objective</strong></td>
<td>The term accurately captures the nature of the internal audit function.</td>
</tr>
<tr>
<td><strong>Examine</strong></td>
<td>We suggest adding the term “examine.”&lt;br&gt;Rationale: The term “examine” complements the term “evaluate”; “examine” captures the analytical activity, while “evaluate” captures the comparison of test results to standards.&lt;br&gt;The term aligns with the IFAC International Standard on Auditing (ISA) 610 and INTOSAI’s definition of the internal audit function.</td>
</tr>
<tr>
<td><strong>Improve</strong></td>
<td>We suggest removing the first occurrence of the term “improve.”&lt;br&gt;Rationale: The term “improve” can be interpreted to imply that the internal auditing function directly improves operations, while this is in actuality not the case.</td>
</tr>
</tbody>
</table>
| **Monitor** | We suggest adding the term “monitor.”  
Rationale: Monitoring captures the ongoing nature of the service the internal audit function provides. The term aligns with the IFAC International Standard on Auditing (ISA) 610 and INTOSAI’s definition of the internal audit function. |
| **Adequacy** | We suggest adding the term “adequacy.”  
Rationale: The internal audit function does assess existing controls in relation to control objectives. |
| **Effectiveness** | The term accurately captures a key objective. |
| **Governance** | The term accurately captures a key scope area. |
| **Risk Management** | The term accurately captures a key scope area. |
| **Control** | The term accurately captures a key scope area. |
| **Add value [to organizations]** | We suggest removing the term “add value.”  
Rationale: The term “add value” seems too broad to serve as a process objective. |
| **Systematic and disciplined approach** | The term accurately captures the approach used by the internal audit function. |
| **Improve an organization’s operations** | The term accurately captures a key objective. |

*The following captures the suggested changes:*

Internal auditing is an independent and objective appraisal, assurance and consulting activity. It uses a systematic, disciplined approach to examine, evaluate and improve the adequacy and effectiveness of risk management, control, and governance processes to improve an organization’s operations. Designed to add value and help an organization accomplish its objectives by bringing.

3. Considering internal practices today and in the near future, are there other concepts in the current Definition that are not relevant and should be changed or removed? Any other concepts that should be added to the Definition? Please explain.

*Feedback provided in response to question 2 does take current and near future internal audit practices into considerations. Individual items suggested for deletion from (stroked through) or addition to (underscored) the Definition are listed in the table above.*
4. What are the top three roles that you see internal auditors play in an organization? Examples include assurance, advisory, governance, risk management, control, providing and adding value.

*It may be challenging to accurately weigh what an internal audit function does on a daily basis against activities that are less frequent, yet equally important. As such, we provide the following for consideration:*

- **The primary role of the internal audit function is to provide independent, objective appraisal of controls to achieve governance and risk management objectives.**

- **The internal audit function effects positive change for the purpose of improving operations.**

- **The internal audit function provides advisory services.**