

September 16, 2011

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Response e-mailed to www.ifac.org

RE: Response to the International Auditing and Assurance Standards Board (IAASB) –
“Enhancing the Value of Auditor Reporting: Exploring Options for Change”

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) appreciates the opportunity to respond to the IAASB’s Consultation Paper, *“Enhancing the Value of Auditor Reporting: Exploring Options for Change.”* We applaud the IAASB’s effort in soliciting feedback from diversified stakeholders. Our comments are based on a thorough analysis and discussion, utilizing a core team of governance, compliance and audit experts who serve on The IIA’s Professional Issues Committee. These individuals consist of Certified Internal Auditors, Certified Public Accountants, Chartered Accountants, audit executives and consultants who have worked in both public accounting and management positions in small, medium and large multinational companies.

The following are our principal comments regarding the Consultation Paper. Detailed responses to the questions posed are summarized in Appendix A.

1. The IIA strongly believes that even if there are discussions regarding the roles and responsibilities of external auditors in conducting financial statement audits, detecting fraud, assessing risks and responding to warning signs, the solution should not cause the auditors to assume the responsibilities of management nor the governance body by determining how much of the entity’s competitively sensitive and not-yet public information should be disclosed. The financial statement auditors should remain independent and objective while pursuing assurance responsibilities and not be put in a position to make determinations on the timing of disclosure of certain information before management and the Audit Committee deem it appropriate.
2. We also believe that the regulators should highlight the use of internal audit activities as a complement to the other pillars of quality financial reporting, in particular the corporate governance and external auditor’s responsibilities. The company’s Directors should ensure that internal audit is able to retain its objectivity from management’s influence.
3. We support providing additional information about the audit that would enhance the users’ understanding of the audited financial statements and enable the users to make informed investment decisions. The volume and relevance of additional information should be balanced with the risk of confusing or diluting the attention of the users and duplicating disclosures provided by management.
4. We believe that the external auditors should not be required to communicate insights about the entity or the quality of its financial reporting in their report on the financial statements. Additionally, many of these matters should be discussed by the external auditors and also brought to the Director’s and management’s attention through work done by internal auditors.

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The IIA is well-equipped to support those IAASB projects that are related to the core competencies of internal auditing: governance, risk management and control. We value the opportunities to collaborate, share, contribute and learn. We welcome further discussion on any of these recommendations and offer our assistance in the continued development of these projects.

Best Regards,

Richard F. Chambers, CIA, CGAP, CCSA
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 103 institutes in 165 countries that serve members at the local level.