November 18, 2010

United States Government Accountability Office
Washington, D.C. 20548

Response e-mailed to yellowbook@gao.gov

Re: Government Auditing Standards - 2010 Exposure Draft

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) welcomes the opportunity to comment on the Government Auditing Standards - 2010 Exposure Draft. Our comments are based on a thorough analysis and discussion, utilizing a core team of audit experts who serve on The IIA’s technical committees. These individuals include experienced Certified Public Accountants, Certified Internal Auditors, and Certified Government Auditing Professionals who have worked in government audit organizations, public accounting, and in audit management positions at many levels and branches of government, both nationally and internationally.

The proposed standards are extremely important to The IIA. As defined in The IIA’s International Professional Practices Framework (IPPF): “Internal auditing 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.” We see the IIA assurance and consulting standards as very compatible with the GAO performance standards.

We are extremely pleased with the manner in which both the GAO and The IIA have worked together in the past and continue to collaborate to recognize the strengths and compatibility of both organizations’ standards. We are pleased The IIA Standards are specifically referred to in the GAO Standards and the need for independent internal auditing and audit organizations continues to be an important part of GAGAS. As the GAO may be aware, more and more state and local government audit organizations are now referencing both GAO and IIA Standards in their work.

Overall we see the 2010 Exposure Draft as helpful to audit organizations. We believe there are a few areas where improvements could be made including:

- Additional clarification is needed on the identification of government audit organizations as either internal or external. Key to the issue is organizational placement and reporting responsibilities.
- Some elements of the 2007 version of the standards regarding independence were removed and should be added back to provide clarity.
- Clarification should be added that persons other than management ratify or approve the appointment of an audit organization to perform an audit - for example, the governing body or an audit committee appointed by the governing body.
- A requirement should be added to include written communication of significant internal control deficiencies and material weaknesses in the auditor’s report on internal control, even if the deficiencies or weaknesses were remediated during the audit.
The 2007 requirement for audit organizations to develop policies to address requests by outside parties to obtain access to audit documentation has been removed. This wording should be reinstated as government audit organizations frequently receive requests from outside parties for access to audit documentation.

Details on these and other comments are provided in Attachment 1 for your consideration. The IIA welcomes the opportunity to discuss any and all of these recommendations with you.

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 160,000 members across the globe and has 103 affiliates in 165 countries that serve members at the local level.