Richard F. Chambers
Certified Internal Auditor
Certification in Control Self-Assessment
Certified Government Auditing Professional
President and Chief Executive Officer

May 3, 2010

Response e-mailed to: research@isaca.org

Re: ISACA Monitoring of Internal Controls and IT Exposure Draft

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) welcomes the opportunity to respond to the ISACA Monitoring of Internal Controls and IT exposure draft. Our comments are based on a thorough analysis and discussion, utilizing a core team of audit experts who serve on The Institute of Internal Auditors' Advanced Technology Committee.

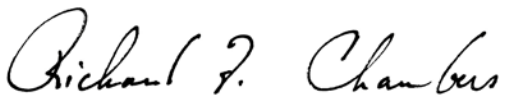
We agree with the concepts presented in the exposure draft and appreciate the alignment with COSO guidance, which provides structure to the theory presented. Regarding audience, the focus appears predominantly for management actions and responsibilities with respect to continuous monitoring. It is our recommendation the document place more emphasis encouraging management to engage Internal Audit in an advisory or consulting capacity regarding identification of key risk areas and applicable internal controls to monitor more frequently.

The draft is consistent with The IIA's position that if a risk and related control(s) are significant enough to continuously audit, then an operational control(s) should be in place to monitor for deficiencies. The question becomes whether organizational areas choose to invest the level of control that monitoring provides, and internal audit promotes. The IIA agrees on the concept, but recognizes practical application of monitoring efforts on a broad scale at organizations requires much coordination; an area where internal audit can provide expertise.

Beyond the comments above, our detailed responses can be found in Attachment A.

The IIA welcomes the opportunity to discuss these comments and recommendations with you. We thank you in advance for considering our comments. Should you have any questions or need any additional information, please do not hesitate to contact me.

Best Regards,



Richard F. Chambers, CIA, CGAP, CCSA
President and CEO

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*. These principles-based standards are recognized globally and are available in 32 languages. The IIA represents more than 160,000 members across the globe and has101 affiliates in 165 countries that serve members at the local level.

Global Headquarters
247 Maitland Avenue
Altamonte Springs, FL
32701-4201 USA
T: +1-407-937-1100
F: +1-407-937-1101
www.theiia.org

Tel: +1-407-937-1200 • Fax: +1 407-937-1101 • E-mail: richard.chambers@theiia.org

Attachment A

The Institute of Internal Auditors (IIA)

Response to ISACA Exposure Draft: Monitoring of Internal Controls and IT

1. Overall, a more focused executive summary is necessary to address the business executive portion of the audience due to the length of the document. The document would provide more value with a narrowed scope and specific practical application techniques.
2. Page 20, line 33: There is mention of having separate evaluations performed by people who are not involved in the operation of the business process. Placing an independence requirement for this type of activity can have a tremendous resource impact on an organization. This evaluation should be performed by internal audit which would provide the same results without an increase in headcount, rather than various parts of the organization creating their own audit and quality control functions across the enterprise.
3. Page 31, line 34: We disagree on the point that a decentralized change management model for a decentralized ERP package isolates the risk. We contend that disparate change management processes in a decentralized approach makes monitoring extremely difficult.
4. Page 32: The definition of what constitutes a key application control is broad and may lead to too many controls being considered key.
5. Page 61, line 8: We disagree with the comment "Automated controls require less frequent monitoring." If an automated control is a key control, as defined by The IIA, it should be monitored as frequently as the business risk dictates. The impact and likelihood of failure should be the gauge of how often the control should be monitored, not the type of control it is (manual, automated or semi-automated).
6. Page 77: In the segment addressing "Developing and Implementing Cost-effective Automated Monitoring Solutions," we recommend a cross-reference to IT Control Objectives for Sarbanes-Oxley 2nd Edition (September, 2006).
7. Page 83, line 9: This section states: "Continuous monitoring, which is intended to help ensure that controls are operating as intended, is generally performed by management, as opposed to continuous auditing, which is performed by internal auditors and may have objectives other than those related to controls." This statement infers internal audit's objectives may be related to something other than the key controls. Internal audit's goal is to provide assurance to the audit committee and/or senior management that controls are in place to ensure that management will meet its objectives. These objectives typically are identified in the strategic plan and cascade throughout the organization. Therefore, since internal audit is providing assurance to senior management and the audit committee, it is unlikely that the objectives would be different. It is also recommended that additional context be included in the draft noting the alignment between continuous monitoring and continuous auditing.
8. Page 107, line 31: The section states: "Since management presumably has identified key controls that address the most important risks and implemented monitoring activities to ensure control effectiveness, the risk of control failure is most likely low." While we agree monitoring activities increase the likelihood of control effectiveness, this does not substantiate an independent and objective assessment of the operating effectiveness of key controls, such as the value-added assurance the internal audit function provides.
9. More discussion is needed exploring key performance indicators to gain assurance, and developing key risk indicators to isolate outliers. A higher rate of success is achieved by

starting the conversation with business leadership to understand the organizational objectives and learn what monitoring approaches would best enable them to realize their success.

10. The segment regarding Addressing Third Party Considerations provides more opportunity to build monitoring into the service level agreement (SLA) of the outsource provider to gain visibility as to how the third party is managing emerging risk.