



To:
International Internal Audit Standards Board (IIASB)

2023, June 14th

Comments to the draft of the proposed Global Internal Audit Standards

We acknowledge and appreciate the time, effort and energy put into drafting the proposed changes to the Global Internal Audit Standards. We support the initiative to enhance the clarity and the effort to develop timely, relevant, and high-quality standards to keep up with significant changes to the internal audit profession and simultaneously ensure transparency and meaningful accountability to stakeholders. Overall, we find the new structure of incorporating the mandatory elements and the code of ethics into five domains to be a clearer and more suitable structure than the current framework.

We are aware of the survey to provide detailed feedback, but there are three important issues we would like to bring to your attention in this joint response from IIA affiliates in Austria, Belgium, Finland, France, Germany, Greece, Italy, Norway, Spain, Sweden, The Netherlands, United Kingdom & Ireland.

a) Domain III Governing the Internal Audit Function

The standards should apply to individual internal auditors, the Chief Audit Executive and the internal audit function. Yet, the proposed Standards implies that it also regulates the responsibilities of the board. We agree that principle 6 - 8 should be in place in enabling an internal audit function to be relevant and effective. However, the responsibilities of the board are regulated in national laws, regulations and corporate governance codes, which internal auditors have no control over. The implication of this is that where local regulations do not replicate these requirements the internal audit function would fail an EQA. This seems unreasonable given their lack of control over this.

We strongly propose to replace the phrases “The board must (...)” with more advisory wording like “These are the responsibilities of the board (...)” or “In order for the internal audit function to be effective it is expected that the board (...)”.

b) Clarity

The Global Internal Audit Standards aim to provide more clarity. We believe this goal is not fully achieved due to:

- The combining of “Considerations for implementation” and “Evidence of Conformance” with the mandatory elements of the standards. The standards therefore include sections describing the mandatory requirements, as well as boxes describing preferred practices for implementing the requirements.



The standards would be far clearer if guidance such as considerations and examples appeared in a completely different section to the requirements. As it is, there is a risk that 'Consideration for implementation' is perceived as mandatory practice, especially since the descriptions sometimes include the word 'must'. Likewise, listing 'Evidence of conformance' might be perceived as a checklist. Since the list is not exhaustive, there is also a risk that examples not included on the list, will be overseen or forgotten. These risks do not only apply to internal auditors, but could also be present when supervisory bodies or external quality assessors perform reviews.

In our opinion, the proposed standards will be clearer if only the mandatory requirements of the Global Internal Audit Standards are included.

We would also like to draw your attention to the Clarity Project performed by the IAASB; a comprehensive programme to enhance the clarity of its International Standards on Auditing (ISAs). The broad aim of the project was to enhance the understandability of the ISAs, in turn encouraging consistent application and thus improvement in audit quality worldwide. The project lead to, among other things, that the application and other explanatory material be separated from the requirements and included as addendums.

The standards as drafted, including the implementation and evidence runs to 132 pages, which would be off putting to anyone with an interest, but not an imperative, to be familiar with them, including Audit Committee members.

- The confusion over what constitutes the standards. The introduction to the Global Internal Audit Standards (GIAS) includes Purpose, Principles, Requirements, Considerations for implementation and Evidence of Conformance as part of the standards, while the glossary defines the standards to include Requirements, Considerations for implementations and Evidence of Conformance.

The GIAS should be consistent when describing which elements constitutes the standards, to avoid any confusion.

c) **Rule based vs principle based internal audit (lack of proportionality)**

The standards apply to all internal audit function regardless of sector, size and the maturity and complexity of organisations. The Proposed GIAS include more rigid internal audit practices by including more rules-based ('must'-based) than principles based requirements. We also note that a high number of new requirements were added to the proposed GIAS while some of these new requirements could as well be tagged as 'considerations for implementation'. We fear that this may induce a culture of checking boxes instead of reasoning from principles, in the spirit of the standards.

Additionally, this new approach insufficiently takes into account the heterogeneity of internal audit functions. In that regard, the unintended consequence might be many more functions failing to conform to the new standards. Agile auditing has been on the agenda for quite a



while, so we question if more rules-based requirements will be the best approach to meet the ways in which internal audit functions and their stakeholders need to work.

Further comments will be provided separately from the affiliates.

We wish you the best of luck in the process of reviewing the exposure draft comments and preparing the next version of the standards. As we noted at the beginning of this letter, these three issues are ones we all feel very strongly about and we hope our comments will be considered in the spirit of trying to make the standards relevant and workable.

Yours Sincerely,

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