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2/20/2023

Public Company Accounting Oversight Board
Office of the Secretary
1666 K. Street, NW
Washington, DC 20006-2803

Re: IIA Comments Regarding PCAOB Rulemaking Docket Matter No. 028

Dear Chair Williams and PCAOB Members DesParte, Ho, Stein, and Thompson:

On behalf of the Association of College & University Auditors (ACUA), a professional association representing over 2,000 college and university auditors in the U.S. and abroad, I appreciate the opportunity to comment on the Public Company Accounting Oversight Board's (PCAOB) proposed auditing standard, "[The Auditor's Use of Confirmation, and Other Proposed Amendments to PCAOB Standards.](#)"

While the proposed policy change does not apply to the not-for-profit public and private higher education institutions served by ACUA, the proposed language by the PCAOB represents a concerning shift in the PCAOB's attitude toward professional internal auditors and the important relationship between internal and external audit providers.

More specifically, Section III(I) of the PCAOB proposal states:

Involving internal auditors or other company employees in these activities [confirmation process] would create a risk that information exchanged between the auditor and the confirming party is intercepted and altered.

Then, upon publication of the proposed auditing standard, PCAOB officials indicated in a *Wall Street Journal* article, "The goal is to make sure that internal auditors don't manipulate the confirmation requests before they go out or the responses after they come back."

Both the language in the PCAOB proposal and the PCAOB's comments to the *Wall Street Journal* are offensive to our members and mislead the public about the nature of work performed by internal auditors. The wholesale characterization of internal auditors as people who would "manipulate," inappropriately "intercept," or "alter" documentation to the false benefit of their employers demonstrates a surprising – and frankly disappointing – lack of comprehension by the PCAOB of the internal audit profession.

Just as PCAOB sets auditing standards to ensure consistency and quality of audit work for its constituents, so does the internal audit profession. The Institute of Internal Auditors (IIA) promulgates the International Professional Practices Framework (IPPF), which contains Core Principles, a Code of Ethics, and *International Standards for the Professional Practice of Internal Auditing (Standards.)* For some 230,000 internal auditors around the world, the IPPF, Code of Ethics and *Standards* represent the primary authoritative guidance.

ACUA CORE VALUES

INTEGRITY □ OPEN SHARING OF KNOWLEDGE □ MUTUAL TRUST & FRIENDSHIP □ RESPECT □ COMMITMENT TO EXCELLENCE □ INNOVATION

To conform with the IIA *Standards* defining independence, internal auditors should possess the same independent reporting relationship as external auditors – a direct line to an organization’s board of directors and/or audit committee. In accordance with the *Standards*, internal auditors should provide objective assurance that is independent from organizational management.

The *Standards* also require internal auditors to exercise proficiency and due professional care in the conduct of their responsibilities, just as external auditors must do. In fact, all internal auditors operating in accordance with the *Standards* are required to obtain continuing education annually, regardless of certification status.

Prior to this new proposal, the PCAOB’s standard for evaluating internal auditors has been Accounting Standard 2605 (AS 2605) entitled, “[Consideration of the Internal Audit Function](#).” In that standard, the PCAOB specifically acknowledges that “**internal auditors maintain objectivity** with respect to the activity being audited.” AS 2605 further states that when internal auditors provide direct assistance to external auditors, the external auditor should assess the **internal auditors’ competence and objectivity** and supervise, evaluate, and test the work performed by internal auditors to the extent appropriate in the circumstances.

The PCAOB’s new proposal is a radical departure from AS 2605, implying that internal auditors are not to be considered trustworthy under any circumstances. This position disregards the long history of collaboration and cooperation between external and internal auditors, effectively asserting that NO assessment of competence and objectivity can possibly permit internal auditors to assist external auditors in certain facets of the confirmation process.

ACUA respectfully requests the PCAOB to retain AS 2605 as the standard for defining how external auditors and internal auditors can collaborate in certain aspects of work, retaining the external auditor’s current duties of accountability and due diligence in ensuring the integrity, thoroughness, accuracy, and custody safeguards of the confirmation process.

To be clear, ACUA’s concerns and those of the internal audit profession as a whole are not about confirmations. The concerns are that the PCAOB’s proposal and comments impugn the integrity of the entire internal audit profession and its 230,000 members, including ACUA’s.

I thank you for consideration of ACUA’s views on PCAOB’s proposal.

Sincerely,

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Melissa B. Hall, CPA, CFE, CCEP
President
Association of College and University Auditors