

February 15, 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:

It has recently come to my attention via the Institute of Internal Auditors' (IIA) Global Advocacy, Policy, and Government Affairs Team, that there is a proposed auditing standard entitled, "The Auditor's Use of Confirmation, and Other Proposed Amendments to PCAOB Standards", which appears to have undesirable implications for the internal audit profession. Additionally, the language used in the proposed standard falsely portrays a poor relationship between external auditors and internal auditors in that it makes internal auditors seem to be categorically untrustworthy. The specific language to which I am referring is as follows:

"Having considered the comments, we believe that using internal auditors for selecting items to be confirmed, or for sending or receiving responses, would not be consistent with the auditor's responsibility to maintain control over the confirmation process. Involving **internal auditors** or other company employees in these activities would **create a risk** that information exchanged between the auditor and the confirming party is **intercepted** and **altered** (emphases added). Accordingly, under the new proposed standard, using direct assistance from internal auditors for these activities would not be allowed."¹

The mission of the Internal Audit Profession is to, "enhance and protect organizational value by providing risk based and objective assurance, advice and insight"², and to carry out that mission effectively, internal auditors – not dissimilar to our external audit counterparts – are required to adhere to a strict set of standards, core principles and a code of ethics. The code of ethics is what makes us who we are. Without an emphasis on integrity, objectivity, confidentiality, and competency, there would simply not be as strong of a case to push back on your proposed auditing standard. However, this code of ethics is **mandatory**, and we take great pride in upholding these values in our personal and professional lives.

In summary, I believe that the proposed standard is unnecessarily divisive and counterproductive to the goal of having internal and external auditors working together to achieve great results for their stakeholders. Internal and external auditors, in fact, must report to the same audit committee of the auditee organization which only further supports the need to recall the portion of this standard that falsely mischaracterizes the internal audit function as being non-independent and objective.

Finally, in direct contrast with the proposed standard, we strongly urge the PCAOB to continue with its existing standard, **AS 2605**, which allows external auditors to assess internal auditors for objectivity and competence and then decide whether to seek the assistance of the internal audit function³. **AS 2065** correctly puts the burden back on the external auditor to make an informed decision on a case-by-case basis, rather than casting unreasonable and unnecessary doubt about an entire group of professionals without any evidence for the need to take away an external auditors' ability to make such a decision.

Thank you for your time and consideration in this matter.

Respectfully,

Joshua R. Kirby, CIA



¹PCAOB Release No. 2022-009 December 20, 2022, Page 43

² <https://www.theiia.org/en/standards/mission-of-internal-audit/>

³ https://pcaobus.org/oversight/standards/auditing-standards/details/as-2605-consideration-of-the-internal-audit-function_1528