

From: Martorello, Beth-Ann <Bethann.Martorello@alliancebernstein.com>
Sent: Tuesday, February 7, 2023 1:03 PM
To: Comments
Subject: [EXT]: PCAOB Rulemaking Docket Matter No. 028

It is absolutely breathtaking the complete and total lack of understanding of the Internal Audit profession as demonstrated by this proposed standard. It is an absolute insult to every Internal Auditor who are held to the same code of ethics and governance standards as any external auditor. This is further compounded when the PCAOB suggests this sudden change to the confirmation process is necessary “**to make sure that internal auditors don’t manipulate** the confirmation requests before they go out or the responses after they come back. This statement is an outrage and again demonstrates that the PCAOB clearly do not understand the role of internal audit. Given the stunning misunderstanding, let me be clear, Internal Auditors provide independent assessments of the company internal controls systems ability to mitigate risk. To do so, we ensure we are organizationally independent, as well as free from conflict for every audit we undertake. Unlike external auditors who are dependent to stay in the good graces of company executives to keep their contracts and engagements in place. Internal Auditors and External Auditors are bound by the IIA Code of Ethics, and Professional Standards. We take steps to ensure that our auditors are free from conflict. The IIA Code of Ethics, and the Integrity and Objectivity Rules of conduct require that Internal Auditors:

Integrity:

- Shall perform their work with honesty, diligence, and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession.
- Shall not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- Shall respect and contribute to the legitimate and ethical objectives of the organization.

Objectivity:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may conflict with the interests of the organization.
- Shall not accept anything that may impair or be presumed to impair their professional judgment.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

The IIA Standards also mandate Independence and Objectivity:

1100 – INDEPENDENCE AND OBJECTIVITY - The internal audit activity must be independent, and internal auditors must be objective in performing their work.

1110 – ORGANIZATIONAL INDEPENDENCE The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

1110.A1 - The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implication.

1111– DIRECT INTERACTION WITH THE BOARD - The chief audit executive must communicate and interact directly with the board.

It also seemingly ignores the fact that Internal Audit Departments are externally reviewed to ensure the departments fulfilled the core tenants of its mission by providing timely, high quality audits to facilitate firm risk mitigation, regulatory compliance, and operational excellence, with competent, well-credentialed personnel. Internal Audit departments are evaluated and rated pursuant to the IIA QA Evaluations standards and when receiving a Generally Conforms the department has shown that it has appropriate structure, policies, procedures, and processes to comply with the requirements of the individual *Standard* or elements of the Code of Ethics in all material respects. This new proposal renders the Quality Assurance reviews and standards useless by stating that even when a department Generally Conforms it cannot be trusted to uphold the tenet of the Internal Audit Profession. This new proposal also undermines the faith we place in External Auditors by implying they do not possess the skills or ability to assess the internal auditors competence and objectivity. If External Auditors cannot evaluate Internal Auditors, how can we trust them evaluating the reliability and associated risks of using other intermediaries. It is a ridiculous argument External Auditors are incompetent to assess Internal Audit, a profession they know well, but they are well qualified to evaluate another third party in a profession/industry about which they may know little.

This proposal is insulting to the Internal Audit and External Audit professions. It suggests that Internal Audit is untrustworthy and External Audit is too incompetent to assess the skills and objectivity of Internal Audit. There is no good rationale for this to go forward and frankly the PCAOB should be ashamed of themselves for this proposal and their rationale for it.

Beth-Ann Martorello, CISA, CCSA, CRISC

SVP/Chief Audit Officer

Pronouns: she/her/hers

T +1 212 823 3220 M +1 917 848 4578

bethann.martorello@AllianceBernstein.com



ALLIANCEBERNSTEIN

501 Commerce Street, 17th floor

Nashville, TN 37203

AllianceBernstein.com

[Twitter](#) | [LinkedIn](#) | [YouTube](#) | [Facebook](#)

.....
For further important information about AllianceBernstein please click here

<http://www.alliancebernstein.com/disclaimer/email/disclaimer.html>