The Institute of
Internal Auditors
South Africa

TO:

Mr. J. Michael Peppers
Chairperson - International Internal Audit Standards Board (IIASB)
Institute of Internal Auditors Inc
And
Dr. Lily Bi
Executive Vice President - Global Standards and Certifications
Institute of Internal Auditors Inc

Dear Mr. Peppers and Dr. Bi,

SOUTH AFRICAN AFFILIATE'S COMMENTS ON THE PROPOSED GLOBAL INTERNAL AUDIT STANDARDS (GIAS)

We trust this letter finds you well. On behalf of the Institute of Internal Auditors South Africa (IIASA), I am pleased to provide our comments on the proposed Global Internal Audit Standards ("proposed Standards"). We appreciate the opportunity to offer our insights and recommendations as part of the standard-setting process.

To ensure a comprehensive and inclusive response, the IIASA employed a three-pronged approach to obtain comments from our members and stakeholders. These processes aimed to gather diverse perspectives, engage stakeholders effectively, and promote collaboration within the internal audit community.

We have detailed, in the below paragraphs, the processes we followed to ensure comprehensive feedback:

- One-Day Workshops and Presentations: We organized a series of seven (7) one-day workshops that allowed our members to review the proposed Standards in detail. These workshops provided a platform for our members to provide feedback directly during the workshop sessions. In these workshops, participants were encouraged to propose changes and make suggestions based on their expertise and experience. At these events, presentations were made by South Africa's representative on the IIASB, event sponsors and stakeholders and IIASA representatives on the proposed Standards, where feedback was obtained from attendees.
- Stakeholder Committee Meetings: The IIASA is collaborating with several stakeholders (this includes professional associations, government departments, committees, etc. – See Annexure 2) and serves on several stakeholder committees representing our profession, including regulatory bodies, professional associations, and industry forums. We took the opportunity to present the proposed Standards at these committee meetings, aiming to inform stakeholders about the changes and solicit their input. The discussions held during these meetings provided valuable insights and perspectives from our stakeholders. Please note that we have included the Independent Regulatory Board for Auditors (IRBA) in South Africa full comment letter, which was sent by the IRBA directly to the IIA, due to its importance in context of the regulatory oversight role that the IRBA has in South Africa over auditors. Please see Annexure 3 for the letter.
- Survey: In addition to the one-day workshops and stakeholder committee meetings, we conducted a survey that was distributed among internal auditors across the African continent. The survey allowed a wider range of professionals to express their views and opinions on the proposed Standards. The feedback collected from the survey, along with the input received from the workshops and committee meetings, was used to shape our formal response set out in this letter.

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Through these processes, we have ensured that our comment letter includes the collective comments from experts and the perspectives of our members and stakeholders on the proposed Standards. We have carefully analyzed the proposed Standards, considering their potential impact on the internal audit profession in South Africa and, in this context, we will address specific areas of the proposed Standards, highlighting aspects that we believe require further clarity or consideration. We will also provide suggestions for potential amendments or additions that we believe would enhance the effectiveness and relevance of the Standards within our local and global context. Kindly refer to the "Comments" section on the next page where we have noted our remarks/feedback for your consideration.

We would like to extend our gratitude to the International Internal Audit Standards Board (IIASB) for seeking input from practitioners worldwide and for considering our comments as part of the standard-setting process. We believe that collaboration between affiliates and the Global Institute of Internal Auditors is vital to ensuring the continued evolution and improvement of internal audit practices globally. In this regard, the IIASA also wants to bring it to the attention of the IIASB and IIA Global that we are of the view that there is value in preparing a Global Internal Audit Standards Implementation Guide for South Africa. The Independent Regulatory Board for Auditors (IRBA) in South Africa also highlighted the need for such an implementation guide in their comment (see Annexure 3). The intention of this guide will be to align the new Standards to the South African regulatory and legislative frameworks, and where both actual and potential conflicts exist or issues of interpretation are present, the guide will provide clarity and guidance on such matters. This will contribute to the consistent application of the new Standards by internal audit practitioners. The IIASA looks forward to the support and approval of the IIASB and IIA Global with reference to this implementation guide.

We appreciate the opportunity to contribute to the development of the Global Internal Audit Standards and to further discussions on this matter. Should you require any additional information or have any questions regarding our comment letter, please do not hesitate to contact us.

Yours sincerely,

Tshepo Mofokeng
Chairman of the Board
Institute of Internal Auditors South Africa
12 June 2023

COMMENTS:

ONE DAY WORKSHOPS AND PRESENTATIONS:

Seven (7) one-day workshops attended by more than a hundred and eighty (180) delegates were held in April and May 2023. The workshops included two (2) regional workshops in the Western Cape province and KwaZulu-Natal province of South Africa, a banking sector specific workshop, a public sector specific workshop sponsored by the National Treasury of South Africa, two (2) PwC sponsored breakfast workshops and a virtual workshop for members who were unable to attend in person. Six (6) workshops were facilitated by the IIASA's Technical Department with the support of IIASA regional committees and event sponsors and one (1) workshop was facilitated by PwC with representation from the IIASA board members.

The overall feedback from the delegates who attended the workshops and presentations was positive, and our members in general strongly support the proposed Standards. Some of the key inputs and feedback received at these workshops and presentations are set out below for your attention:

- Domain I: Purpose of Internal Auditing: There is a need to clarify what is meant by a qualified internal auditor. Considerations for qualified can include Tertiary vs Institute qualifications and experiential learning. Instead of the word qualified, a person with the necessary skill, expertise, certifications, and qualifications is recommended instead.
- Domain I: It is proposed that the purpose statement of internal auditing, stating that it enhances the organization's success by providing the board and management with objective assurance and advice, should incorporate the risk-based approach.
- Standard 7.2 Chief Audit Executive Roles, Responsibilities, and Qualifications: In public sector entities, the board may not have the authority to approve the roles, responsibilities, qualifications, and competencies of the chief audit executive (CAE). Secondly, there was a suggestion to define minimum requirements for qualification and competency skills, including advocating for professional membership of the Institute of Internal Auditors (IIA) in the appointment of the CAE. Thirdly, in the context of the public sector, it was proposed that there be a need to define the qualifications, experience, and competency framework for the CAE, including specifying the minimum number of years and types of roles performed in internal auditing (requirement also to be considered in a private sector context).
- Standard 8.4 External Quality Assessment Joint Practices: In both the public and private sector, it is suggested that rotation of independent validators and external quality assessors be encouraged to mitigate familiarity risk. As part of considerations for implementation, it is emphasized that the Board "must" understand this practice.
- Other general comments addressed members' appreciation for the inclusion of Domain III, however there were many concerns at several workshops and presentations regarding the boards' ability and willingness to take on these additional responsibilities. Concerns were also raised in relation to the IIA's authority to set standards that require conformance by boards of organizations.
- Several comments were also received in relation to the definition of "Board" as defined in the Glossary and participants and stakeholders provided proposed alternative wording aligned to the King IV Corporate Governance Code for the IIASB's consideration.

Please refer to Annexure 1 for a detailed overview of the consolidated feedback received from our members at the one-day workshops.

STAKEHOLDER FEEDBACK:

Several stakeholders were engaged through formal presentations and feedback sessions at the respective stakeholder committees where the IIASA represents the internal audit profession (see Annexure 2). Comments from these stakeholders are set out below:

National Treasury of South Africa:

National Treasury (NT) would like to record its appreciation of the proposed Global Internal Audit Standards and the layout thereof, which also explore Public Sector Considerations.

NT is pleased with the content of the standards and will endeavour to continue to advocate for the implementation thereof. In the context of the Republic of South Africa, NT is of the view that the Global Internal Audit Standards will be applicable to the Public Sector, as the current legislative framework recognizes the Professional Standards, and makes their implementation compulsory.

IRBA (Independent Regulatory Board for Auditors) Public Sector Standing Committee (PSSC) Stakeholder Comments:

Members of the IRBA's PSSC include the Auditor - General of South Africa (Chair of the Committee), Technical Directors/Firm Representatives from the big four audit firms and mid-tier audit firms, the South African Institute of Chartered Accountants (SAICA), the IIASA and National Treasury. The IIASA was requested to provide the PSSC and its members with a presentation and overview of the proposed Standards. The proposed changes to the standards were well received and members expressed their support for the IIA's efforts to update the standards to ensure that internal audit remains relevant going forward. The link to the IIA Global survey on the proposed standards was shared with the respective PSSC members and they were encouraged to comment through the platform provided. The IRBA also prepared a comment letter for the attention of the IIA Global (see Annexure 2). The letter was sent to the IIA global on 30 May 2023.

The Independent Regulatory Board for Auditors (IRBA) South Africa:

The IRBA South Africa is supportive of the IIA's efforts in updating the proposed Standards, to ensure that the Standards remain adequate to guide the current practices of internal auditing in today's rapidly evolving global environment. Furthermore, these proposed Standards will be responsive to the interests of stakeholders, while also offering better guidance for internal auditors. In addition, the IRBA acknowledged that the work of internal audit is challenging; as such, they recognized the importance of keeping the Standards up to date, to ensure that they are relevant and fit for purpose and reinforce the quality, relevance, and effectiveness of internal audit services. The IRBA also provided extra comments for the consideration of the IIASB. These comments have been provided in a comment letter sent directly from the IRBA to IIA Global and the IIASB. Kindly see Annexure 3 for the IRBA comment letter.

Chairperson of the King Committee of South Africa:

General comment: As the board is governing internal audit in its entirety from set-up to all execution one could make a case for including all the standards as part of the board's responsibilities and it would be correct from the point of view that the board exercises oversight of all these elements. King IV, for example, puts certain responsibilities on the board, but King IV is a governance code, the standards are for internal auditors and must be implemented by them. There is confusion about the purpose of the internal audit standards. On page 3 it clearly states that the standards "*set forth the essential requirements and recommendation for the professional practice of internal auditing …*". The board does not practice internal audit, they only exercise oversight. On pg. 3 it is also stated that "*the standards apply to individual internal auditors and the internal audit function*". Prescribing duties for the board fall outside this remit. Who is going to enforce these standards against the board? The IIA has no authority over directors, which makes these standards meaningless unless it is phrased as a duty of the CAE in her/his interactions with the board.

A general recommendation is that the standards need to be clearly differentiated
from a governance code. All standards need to be phrased from the point of view of the CAE or the IA function, i.e., what they need to draft, table for approval, implement, execute, etc. under the oversight of the board. If this is then the stance taken, it could be considered to include in the standards how the CAE should escalate issues which are not dealt with in accordance with the standards. My other general comment is that there is some repetition in requirements which could be eliminated.

Definition of "board." It is suggested that the definition of "Board" is refined to read: Highest level decision-making body charged with the governance of the organization ….

Re principle 6: Since the board is not the primary target audience of the standards, I would put the onus on the CAE to obtain the necessary approvals, etc. For example, the principle could read that: The CAE seeks from the board the necessary approvals and support of the authority, role, and responsibilities of the internal audit function.
Standard 6.1: The content under this principle (Standard 6.1) should then be similarly adjusted. The result is that it would not be necessary to differentiate between board and CAE responsibilities and the whole section could become much more succinct.
My comment for standard 6.2 is similar. The standard now focuses on oversight exercised by the board. I believe that the focus should be on what the IA function delivers to the board to approve or oversee. It will also take care of the public sector issue set out on p 38.

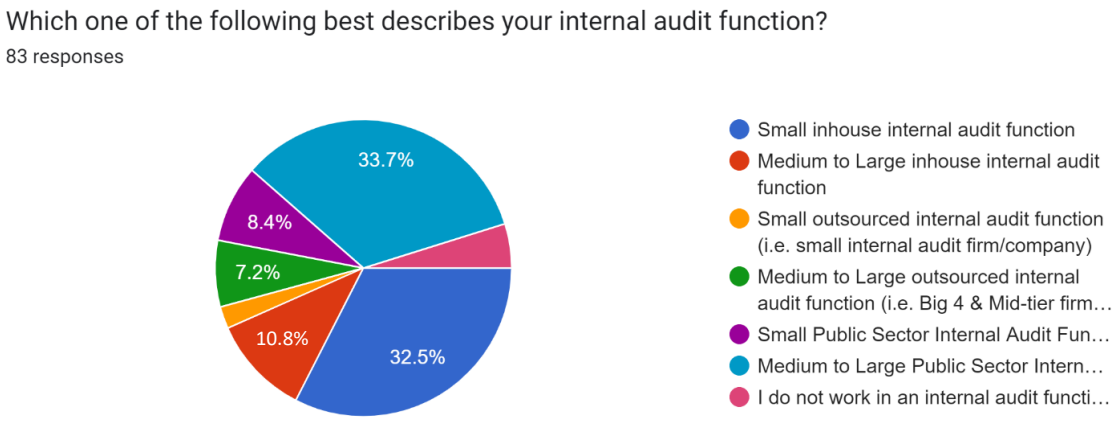
Principle 7: The onus should be on internal audit for its own independence. I suggest this whole section be phrased as a requirement for what should be provided for in the internal audit Charter. The Charter should then be tabled for the approval of the board/ audit committee. If internal audit is not independent, are we going to hold the board accountable and who will do so?
In addition, I find it difficult to differentiate between standards 7.1 and 7.3.

Principle 8: This is the type of content that goes into a governance code, not internal audit standards. This should be phrased the other way around to say that internal audit subjects itself to oversight.

LOCAL SURVEY:

The IIASA's survey on the proposed Standards was completed by eighty-six (86) respondents, of which seventy-eight (78) were practicing internal auditors, five (5) non-practicing internal auditors and three (3) internal audit stakeholders. With reference to the African Federation of Institutes of Internal Auditors, the survey respondents were represented as follows: South Africa – seventy-two (72) respondents; Lesotho – six (6) respondents; Tanzania – three (3) respondents; Zambia – one (1) respondent; Eswatini – one (1) respondent.

A breakdown of the maturity of the internal audit functions within which the respondents worked is set out below:



Most respondents strongly agreed with the structure of the newly proposed Standards (57% of respondents), whilst 39.5% of respondents agreed with the structure of the proposed Standards. The renaming of the proposed Standards to the "Global Internal Audit Standards" was also strongly supported with more than 97% of respondents either strongly agreeing or agreeing with the renaming.

With reference to the "Introduction to the Global Internal Audit Standards" section, most respondents (54.7% of respondents) strongly agreed that it is adequate and sufficient as an introduction to the proposed Standards. A further 44.2% of respondents agreed that the introduction is adequate and sufficient.

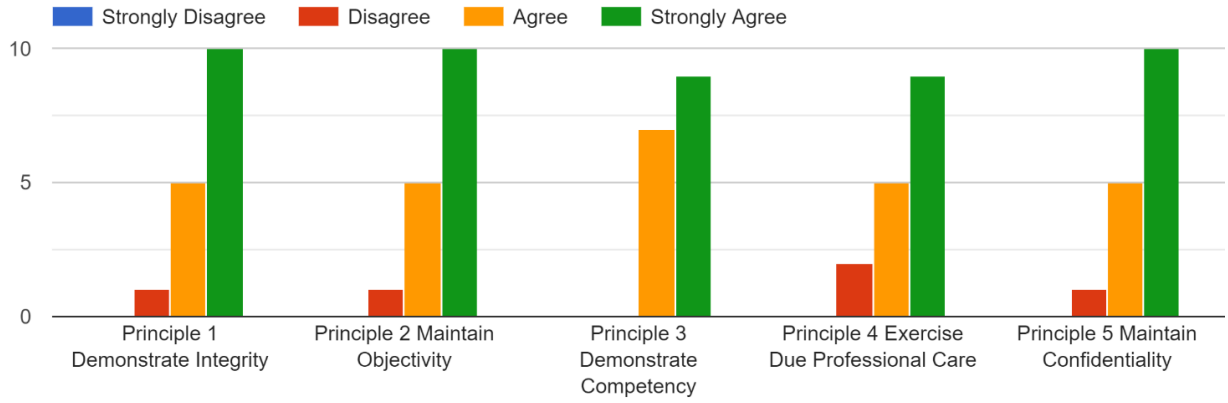
Respondents expressed their appreciation for the updated Glossary, with 96.5% of respondents either strongly agreeing or agreeing with the updated glossary. Respondents did provide some additional comments regarding the Glossary for the consideration of the IIASB. These comments included:

- Updating the "Board" terminology/definition to include "governing body" concept as defined in South Africa's King IV code, which is an internationally recognized code of good corporate governance. (Note: The Chairperson of the King Committee of South Africa, who commented in her capacity as an internal audit stakeholder also proposed a review of the "Board" definition and provided alternate wording for the IIASB's consideration).
- Defining the term "Audit Committee" in the Glossary.
- Defining what is meant by "Qualified Internal Auditor(s)."

Respondents indicated their support for the respective domains as set out in the proposed Standards as follows:

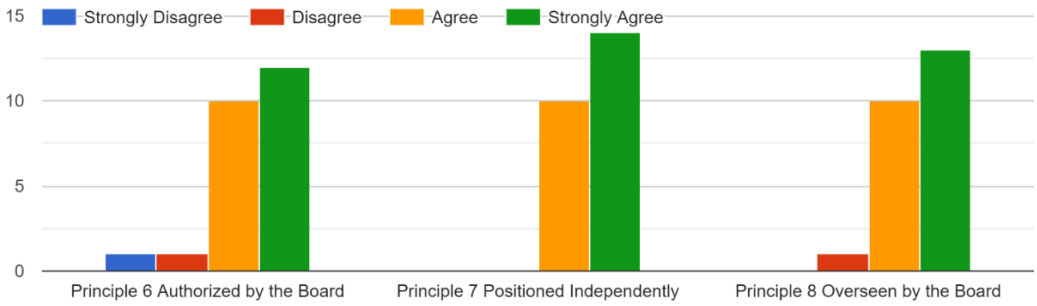
- Domain I – 75% strongly agree or agree with the concepts as described in Domain I.
- Domain II – 87.6% strongly agree or agree with the concepts as described in Domain II. Support for the underlying principles as set out in Domain II were as follows:

To what extent do you agree/disagree with each one of the following Principles and its underlying Standards as contained in Domain II?



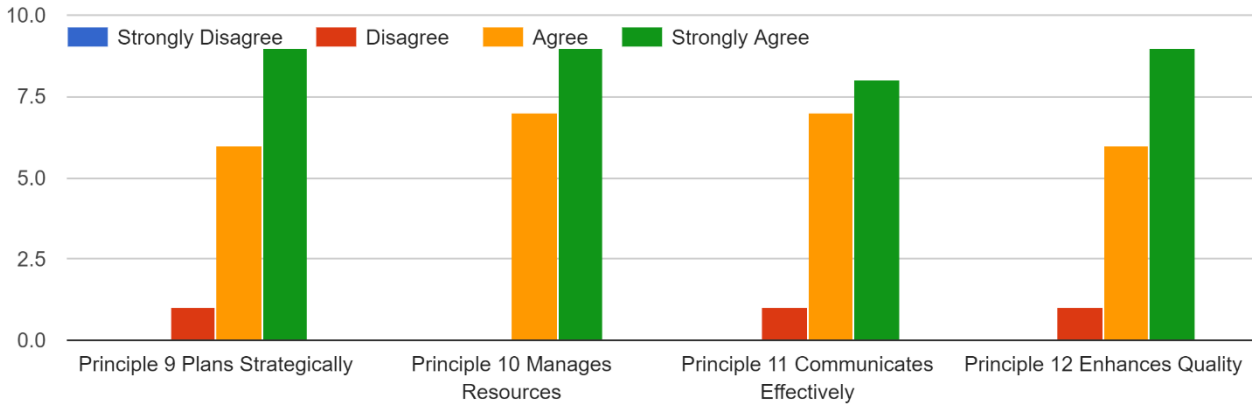
- Domain III – 95.8% of respondents either strongly agreed or agreed that the board responsibilities related to the internal audit function, which were implied or indirectly stated in the current Standards, are stated more directly and clearly in the new proposed Standards. Furthermore, 83.3% of respondents indicated that they believed that board responsibilities related to the internal audit function, which are stated more directly in the new proposed Standards, would be embraced by the board. Regarding the principles and underlying standards as set out in Domain III, respondents indicated their support as follows:

To what extent do you agree/disagree with each one of the following Principles and its underlying Standards as contained in Domain III?



- Domain IV – A overview of respondents' support for the underlying principles and standards as set out in Domain IV is provided below:

To what extent do you agree/disagree with each one of the following Principles and its underlying Standards as contained in Domain IV?

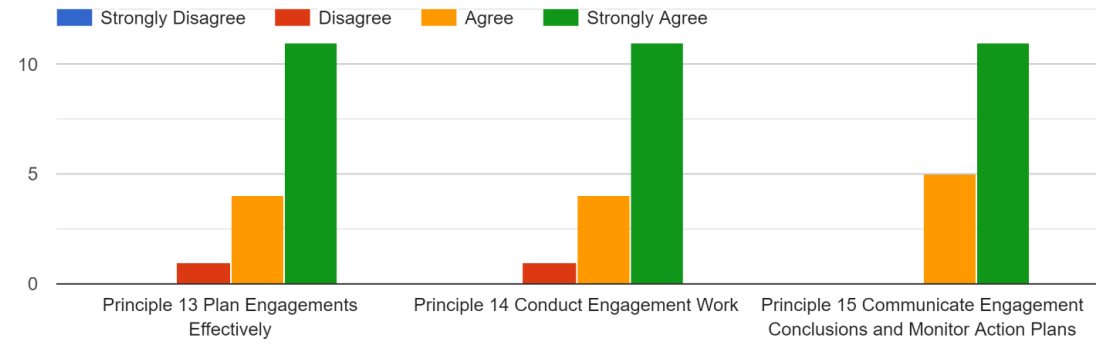


More specifically, with reference to Standard 9.1., 56.3% of respondents were of the view that the understanding of Governance, Risk Management, and Control Processes must not be only relevant to the Chief Audit Executive but must be more inclusive and state that the understanding of GRC processes must be applicable to the CAE and ALL Internal Audit Staff Members. 31.3% of respondents indicated that the understanding of GRC processes must be applicable to the CAE and should be applicable to Senior Internal Audit Staff Members and all other staff.

The requirement for a separate mandate and internal audit charter were also critically considered by some respondents. Respondent comments questioned the need for a separate mandate and internal audit charter.

- Domain V – 87.6% strongly agree or agree that Domain V and the underlying standards adequately address both assurance engagements and advisory (previously consulting) related engagements performed by internal auditors. More specifically, support for the underlying principles as set out in Domain V were as follows:

To what extent do you agree/disagree with each one of the following Principles and its underlying Standards as contained in Domain V?



ANNEXURE 1: ONE DAY WORKSHOP FEEDBACK

1. GLOSSARY COMMENTS:

Ref no:	Glossary Term	Comments received
1.1	Advisory services	The need to specify that services should be undertaken through the audit committee and for inclusion purposes, management of activity should refer to business activity.
1.2	competency	The definition should be more specific and include experience requirement/guideline.
1.3	finding	Suggestion: Remove the word "significant" before risk. Add the word "some" before the word example.
1.4	CAE	The Standards is not prescriptive in terms of the qualifications of a CAE, they should provide a view of minimum requirements/guidance for a CAE (qualifications, certifications and experience). They should include a view of where the CAE should be positioned (more so than reporting to the highest-ranking senior manager). General auditor and Chief Internal Auditor should be excluded on the definition of CAE but form part of a definition of an internal auditor or those who report to CAE.
1.5	Governance	Proposed definition: The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives and obligations with integrity, responsibility, competence, accountability, fairness, and transparency. The definition should also consider the inclusion of policies.
1.6	Internal audit plan	Replace the word “Created” with “compiled.”
1.7	May	One cannot have options for a requirement. By its nature, a requirement is a must. Maybe add optional requirements. The use of the word May leaves room for options in the governance of the function (Domain 3).
1.8	Must	The current meaning refers to individual internal auditors, what about the function as a collective?
1.9	Risk	Proposed definition: The possibility that events will occur and impact the achievement of strategy, business objectives, operations, and resources. Consider refining to add the word negatively/adversely: The possibility that events will occur and negatively affect the achievement of strategy and business objectives.

Ref no:	Glossary Term	Comments received
1.10	Risk and control matrix	Name should change to "Objectives, risks, and control matrix and consider phrasing it as “a tool that facilitates the evaluation of risks and controls.”
1.11	Risk tolerance	Simplify the language and consider the phrasing: Boundaries of acceptable variation in performance.
1.12	Significance	The definition should refer to the achievement of objectives when a risk materialises and the impact that risk has on achieving the objective/ goals.
1.13	Activity under review	The glossary wording does not cover legislation.
1.14	Assurance	The statement should change to objective assessment - as the word statement is weak and can be misinterpreted.
1.15	Assurance services	Proposed wording: Services through which internal auditors perform objective assessments to provide statements about conditions compared to established criteria. Such statements are intended to give stakeholders confidence about an organization's governance, risk management, and control processes. Examples of assurance services include financial, nonfinancial, performance, compliance, and technology engagements.
1.16	Board	Define audit committee as an independent governance structure whose function is to provide oversight role in the systems of risk management, internal controls, and governance. It is suggested that the definition of “Board” is refined to read: Highest level decision-making body charged with the governance of the organization.
1.17	compliance	The statement reads as only providing examples of what to comply with rather than dealing with what is the term compliance.
1.18	Engagement conclusion	The current definition only considers professional judgement - there are other inputs that drive the engagement conclusion. Include all elements of what drives the overall conclusion in the definition.
1.19	Engagement work program	The last sentence should include that changes throughout the review audit programme can be updated with approval.

Ref no:	Definitions to consider for inclusion in the Glossary:
1.20	Combined, Coordinated and Integrated Assurance
1.21	Ethics
1.22	Qualified internal auditor
1.23	Ongoing assessment

Ref no:	Definitions to consider for inclusion in the Glossary:
1.24	Periodic assessment
1.25	Risk Universe
1.26	quality and value
1.27	sufficient
1.28	advocacy
1.29	emerging risks
1.30	Periodical

2. Domain I

Ref no:	Domain	Section	Comments Received
2.1	Domain I: Purpose of Internal Auditing	Purpose statement	Due to the nature and scope of advisory services being subject to agreement with the party requesting the services, the definition should be expanded to be clearer or alternatively, change the wording " Advisory Services" to "advice " and have a laundry list of advises that IA function can offer as definition of advice.
2.2		Purpose statement	There is also a need to clarify what a qualified internal auditor is defined as, Tertiary vs Institute qualifications, certifications and experiential learning. Instead of the word qualified, a person with necessary skill, expertise and qualifications is recommended instead. It is also recommended that considering the recommendations, there is still a need to define “qualifications” in the proposed Standards. The definition of Internal auditing enhances the organization's success by providing the board and management with objective assurance and advice should incorporate the risk-based element within the definition.

3. Domain II

Ref no:	Standard	Standard requirement	Comments Received
3.1	Standard 1.1 Honesty and Courage	Internal auditors must perform their work with honesty and courage.	It is suggested to improve the clarity of the following sentence: "Internal auditors must disclose all material facts known to them that if not disclosed could affect the organization's ability to make well-informed decisions". This sentence must be updated to include all relevant stakeholders not just the organisation e.g., Regulators as well. It is proposed that line 3 (under consideration for implementation and evidence of conformance), in the first paragraph, be updated from "CAE may also emphasize" to "CAE must also emphasize".
3.2	Standard 1.2 Organization's Ethical Expectations	Internal auditors must respect and contribute to the legitimate and ethical expectations of the organization.	The CAE roles and responsibilities are not clearly defined in terms of ethics communication vs reporting, whistleblowing as it relates to the code of ethics. The use of the word "addressing" assumes management responsibility.
3.3		Internal auditors must respect and contribute to the legitimate and ethical expectations of the organization.	Internal auditors must assess and make recommendations to improve the organization's objectives, policies, and processes for promoting appropriate ethics and values. If internal auditors identify behaviour within the organization that is inconsistent with the organization's ethical expectations, they must report the concern according to the policies established by the chief audit executive.
3.4		Internal auditors must respect and contribute to the legitimate and ethical expectations of the organization.	With reference to "Consideration for Implementation and Evidence of Conformance", para 1: "The chief audit executive also should determine a methodology for addressing ethical issues and discuss the methodology with

Ref no:	Standard	Standard requirement	Comments Received
			senior management and the board to ensure alignment of the approaches." It is recommended that this sentence is updated to read: "The chief audit executive also must determine a methodology for addressing ethical issues as it relates to the internal audit function and discuss the methodology with senior management and the board to ensure alignment of the approaches".
3.5	Standard 1.2 Organization's Ethical Expectations	Internal auditors must respect and contribute to the legitimate and ethical expectations of the organization.	Paragraph one under the "Considerations for Implementation and Evidence of Conformance" require clarification. The following sentence: "The chief audit executive also should determine a methodology for addressing ethical issues and discuss the methodology with senior management and the board to ensure alignment of the approaches" should be reworded as follows: "The chief audit executive also must determine a methodology for addressing ethical issues as it relates to the internal audit function and discuss the methodology with senior management and the board to ensure alignment of the approaches". This is necessary to avoid confusion regarding the CAE taking on management responsibilities for organisational ethics.
3.6		Evidence of Conformance	Add "Minutes of staff meetings where objectivity was discussed" under evidence of conformance
3.7	Standard 2.1 Individual Objectivity	Internal auditors must maintain professional objectivity when performing all aspects of internal audit services.	Examples should highlight personal relationships and years in service as well as what needs to be considered in the safeguarding of these elements.
3.8	Standard 3.2 Continuing Professional Development	Internal auditors must maintain and continuously develop their competencies to improve the effectiveness	Suggestion: Should there be guidance around the quality and content of CPD (Continuing Professional Development). Also consider CPD - on the job training

Ref no:	Standard	Standard requirement	Comments Received
		and quality of internal audit services	e.g., new area/research. Line manager can sign off on these. Cap to 10 hours.
3.9	Standard 4.1 Conformance with Global Internal Audit Standards	Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.	Consequence of non-compliance – clarity on the process of actions to be taken against the Internal auditor, CAE, and the Audit Function. What happens if the audit committee cannot comply to the standards - what is the impact? What is the consequence if the board does not conform to the Standards? Is this escalated through other professional bodies or regulations?
3.10	Standard 4.3 Professional Scepticism	Internal auditors must exercise professional scepticism when planning and performing internal audit services.	Add: "Understand the culture and processes of the client" under requirements.
3.11	Standard 5.2 Protection of Information	Implementation	Remove "Public sector" reference as the requirement applies to all auditors

4. Domain III

Ref no:	Standard	Standard requirement	Comments Received
4.1	Standard 6.1 Internal Audit Mandate	Board Responsibilities	Comments received sought clarity on the distinction between groups and subsidiaries, the need for a clearer mandate and how it is safeguarded by the board. The alignment of evidence of conformance with the new definition of internal auditing is also questioned. Additionally, the impact of data privacy laws on the internal audit mandate, particularly in terms of access within groups and subsidiaries, is discussed. There is a query about whether internal audit should be responsible for coordinating combined assurance. The questions also examine how senior management's approval of the charter affects independence, including potential disagreements and involving senior management in mandate reviews. Lastly, there are concerns about potential confusion between the term's "mandate" and "charter," and whether the wording related to the opportunities of the internal audit function should be replaced with "enhancing organizational success."
4.2		Chief Audit Executive responsibilities	Delegates suggested two recommendations. Firstly, it was proposed that the heading "Purpose" be replaced with "Mandate" in the GIAS (GLOBAL INTERNAL AUDIT STANDARDS) section. Secondly, it was advised that the responsibility of advising on assurers, including external assurers, should not be solely assigned to the Chief Audit Executive (CAE). Instead, it was suggested that this responsibility should be given to the CEO or an equivalent position.
4.3	Standard 6.2 Board Support	Board Responsibilities	Respondents outlined three recommendations. Firstly, it was suggested that the Chief Audit Executive (CAE) should report to the highest administrative level within the organization, which could be Senior Management, the Accounting Officer, or the CEO. Secondly, respondents sought more specificity about the frequency of meetings. Lastly, there was an emphasis on the importance of explicit consequence management or broader action from the board when there are limitations in the scope of the audit.

Ref no:	Standard	Standard requirement	Comments Received
4.4	Standard 7.1 Organizational Independence	Board Responsibilities	There were several comments and recommendations. Firstly, it was suggested that consideration be given to training that aligns with the limited operational requirements of the organization. Secondly, it was suggested that the board should have a stronger role in hiring decisions regarding the Chief Audit Executive (CAE), rather than just approving, or participating in those decisions. Thirdly, in the public sector, there is a disagreement about the board's authority in appointing or evaluating the CAE, with a suggestion to involve the board and treasury in the approval process. It was suggested that board responsibilities should encompass the entire internal audit function, not just the CAE. Lastly, there was a recommendation to remove the phrase "and/or" in relation to standards, emphasizing that the board must approve them.
4.5	Standard 7.2 Chief Audit Executive Roles, Responsibilities, and Qualifications	Board Responsibilities	In public sector organizations, the board may not have the authority to approve the roles, responsibilities, qualifications, and competencies of the chief audit executive (CAE). Secondly, there was a suggestion to define minimum requirements for qualification and competency skills, including advocating for professional membership of the Institute of Internal Auditors (IIA) in the appointment of the CAE. Thirdly, in the context of the public sector, it was proposed that be a need to define the qualifications, experience, and competency framework for the CAE, including specifying the minimum number of years and types of roles performed in internal auditing. In the South African perspective, there is a specific emphasis on recognizing the IAT (Internal Audit Technician) and PIA (Professional Internal Auditor) designations, as well as providing a CIA challenge exam for PIA holders like the one available for CAs (Chartered Accountant) becoming CIAs (Certified Internal Auditor).
4.6	Standard 7.3 Safeguarding Independence	Implementation	Regarding the responsibilities and safeguards related to the Chief Audit Executive (CAE) role. Firstly, there was a recommendation to include specific examples of safeguards that CAEs' and boards can implement. Secondly, it was emphasized that the CAE should not be responsible for management decisions. Thirdly, a comment was made regarding the resourcing aspect, particularly

Ref no:	Standard	Standard requirement	Comments Received
			concerning the independence of co-sourcing arrangements where consultants are involved in both consulting and internal audit functions. The standards and safeguards related to this risk are questioned, and there is a suggestion to provide separate guidance on the topic of co-sourcing.
4.7	Standard 8.1 Board Interaction	Board Responsibilities	Firstly, there was a recommendation to incorporate competency and ensure the availability of appropriate resources. Secondly, the measurement of contribution was discussed, leading to the removal of the phrase "Increased" productivity and cost efficiency due to its broad and vague nature. In the context of the public sector, it was suggested to include a dedicated section outlining the specific level to which the Board should escalate matters. Additionally, a comment was made regarding whether documenting the board's expectations should be optional or mandatory for the Chief Audit Executive (CAE) in terms of their responsibilities. Finally, a suggestion was put forward to provide clarity by specifying the expectations being referred to in the discussions.
4.8	Standard 8.2 Resources	Board Responsibilities	It was suggested that the standard lacks guidance on coordinated assurance and the management of secondees or other lines of assurance. Clarification was sought on what the Chief Audit Executive (CAE) should present regarding the strategy. Additionally, another comment highlights a conflict between the standard and the South African context, particularly in the public sector.
4.9	Standard 8.3 Quality	Board Responsibilities	The public sector comment highlights that in public sector organizations, the board may lack the authority to assess the performance of the Chief Audit Executive (CAE), and it suggests that the team leader of the Assessor Team must hold the Certified Internal Auditor (CIA) certification. The suggestion proposes elevating the role of the internal Quality Assurance and Improvement Program (QAIP), granting direct access to the chair, and potentially establishing a dotted line to the Audit Committee chair. It also suggests managing the risk in the internal audit function through closed sessions with the Audit Committee chair. Finally, the comment suggests that the standard, while serving as an umbrella for quality, may cause confusion and should be streamlined. It also questions whether the

Ref no:	Standard	Standard requirement	Comments Received
			performance of the CAE should be included under this principle.
4.10	Standard 8.4 External Quality Assessment	Considerations for Implementation: Chief Audit Executive specific considerations	It was proposed that external Quality Assurance (QA) reviews take place every three years. It was suggested that internal self-assessment with validation should be removed, except for smaller firms where it might have been practical. A suggestion was made that the wording should be clearer regarding who approved the External Quality Assurance Review (EQAR) supplier. A question was raised about the period of review that the external reviewer looked at whether it should have been the latest period or the entire five-year period, and guidance was requested on this matter. The duration of the assessor's independence, which was under consideration for implementation, was not clearly specified. In the context of the public sector, it was suggested to define the Chief Audit Executive (CAE) using similar terminology as the independent assessor, referring to the CAE as an individual qualified in the professional practice of internal auditing.
4.11		Joint Practices	In the public sector, it is suggested that rotation should be encouraged to prevent familiarity risk. As part of considerations, for implementation, it is emphasized that the Board "must" gain an understanding of this practice.
4.12		Qualifications and Competencies of External Assessors	Questions about why the Board is involved in determining the scope and frequency of the quality assessment when minimum guidelines already state a review should be conducted every five years. The intention is to understand the rationale behind the Board's role in setting these parameters. Clarity was sought on whether the preference is limited to individuals holding the Certified Internal Auditor (CIA) certification or if the leader of the external quality assessment team can hold a different quality assessor certificate without CIA. In the context of the public sector, two points were highlighted: first, the objectivity of previous working relations should be limited to 12 months to ensure subjectivity; and second, it was suggested that the team leader should hold at least the CIA certification.

5. Domain IV

Ref no:	Standard	Standard requirement	Comments Received
5.1	Standard 9.2 Internal Audit Strategy	Implementation	Strategic objectives should consider both internal and external factors, and there is a suggestion to include the term "mission" and provide guidance on it. The concept of VUCA should be mentioned in the second-to-last paragraph. A question arises about a specific section (page 62, section 9.2) that states the Chief Internal Auditor (CIA) should develop a strategy aligning with senior management, the board, and stakeholders, with a query on the impact on independence and whether the purpose of internal auditing should be included. A comment proposed linking the requirement to the purpose of internal auditing instead of limiting it to a specific domain, suggesting a rewording. Another question asks how to demonstrate alignment with senior management's expectations and what level of alignment or engagement is required, seeking clarification on the specific expectation being referenced.
5.2	Standard 9.4 Methodologies	Implementation	Should the safeguarding of data need to be included in the Internal Audit (IA) methodology or if reliance on group-wide policies is sufficient. A comment highlighted the lack of coverage on agile, continuous, and digital auditing in the current guidelines. Teams are seeking guidance in these areas and enquire if supplementary guidance will address these topics. They also mention that audit module systems are being configured without standards in place.
5.3	Standard 9.5 Internal Audit Plan	Implementation	The rationale for not including high-risk items on the audit plan was questioned, as it seemed to deviate from the risk-based audit approach. An explanation was requested for this departure from risk-based auditing. It was suggested considering board accountability in the audit plan. Clarity was sought on whether there was a mandatory requirement to demonstrate research of leading practices.

Ref no:	Standard	Standard requirement	Comments Received
5.4	Standard 9.6 Coordination and Reliance	Implementation	Various concerns and suggestions were raised regarding coordination and responsibility in assurance activities. It was emphasized that the standard should provide clarity on the overall responsibility for coordination of assurance providers, with a suggestion that it should rest with a COO/CEO/Governance who oversaw all functions. The given guidance on integrated, coordinated, and combined assurance was considered insufficient. Questions were posed about the direction to be followed, particularly in relation to the independence of internal audit, as well as the ownership of combined assurance, with a suggestion that Risk/CRO should be responsible. The necessity and expectations surrounding agreements or charters with other assurance providers were questioned, and a suggestion was made to remove the specific example of a charter. It was proposed that the responsibility for coordination and reliance be defined by the Audit Committee based on the organization's maturity and strategy. Concerns were raised about relying on advisory work in evaluating other providers of assurance and advisory services, deeming it inappropriate. Additionally, the explicit sharing of work papers between internal and external audit and the establishment of reliance were highlighted as areas where standards lacked clarity.
5.5	Standard 10.2 Human Resource Management	Implementation	It was suggested that the requirement for Certified Internal Auditor (CIA) certification should be explicitly stated. It was recommended that HR should have a prescriptive approach to guide the career path of CIAs, and the Board was expected to provide support in this matter. A question was raised regarding the inclusion of individuals from the business in reviews, with a concern about maintaining competency and independence. The need for clear safeguards to address these factors was emphasized.
5.6	Standard 10.3 Technological Resources	Implementation	There should have been joint responsibility as the Board was responsible for overseeing that the IA had the required technology. It was expected that the CAE would utilize the available technological tools to execute their mandate. Furthermore, a comment expressed disappointment with the standard, stating that it seemed to have shied away from addressing the topic of digital transformation.

Ref no:	Standard	Standard requirement	Comments Received
5.7	Standard 11.4 Errors and Omissions	Evidence of Conformance	A question was asked about how significance should be defined and whether it should have been documented in a charter or an escalation matrix. Additionally, there was an inquiry about the provision of criteria or guidance in this regard. Another question and suggestion revolved around the frequency of refreshing the criteria, with the proposal to align it with the annual methodology refresh. A comment expressed concern about the extent of power that was given to the Chief Audit Executive (CAE) in determining significance. It was deemed that this authority may have been excessive and potentially inappropriate. The CAE was expected to assess whether any mistaken or omitted information could have had legal or regulatory consequences or could have influenced the findings, conclusions, recommendations, or the action plan. A suggestion was made to recommend a joint decision-making process between the CAE and the Audit Committee (AC) chair for determining significance.
5.8	Standard 12.1 Internal Quality Assessment	Implementation Ongoing Monitoring	Emphases was placed on the need for periodic assessments to be conducted by someone outside of the Internal Audit (IA) function. However, it was noted that there was a risk due to the lack of a clear definition for "sufficient knowledge." A recommendation was made to define what constituted "sufficient knowledge" and to establish safeguards regarding the person who conducted the assessments. This included considerations such as their independence, level of expertise, and role within the organization.

6. Domain V

Ref no:	Standard	Standard requirement	Comments Received	Standard
6.1	Standard 15.1 Final Engagement Communication		Implementation	Various points were raised and discussed regarding the retention and accessibility of working papers supporting the final communication in internal audit engagements. A question was posed regarding whether it was necessary for everyone in the organization to receive all the information, considering the potential risk of confidentiality. A comment disagreed with the notion of granting accessibility to the organization, suggesting that it should be explicitly specified when it is applicable, such as during investigations. Another question was raised about handling disagreements, as presenting both cases could result in the report being in a state of "limbo," and there was an inquiry about how to effectively close out such matters. A comment pointed out that the provided guidance was tailored more towards manual areas, potentially disregarding the potential impact on more advanced audit shops. Additionally, it was noted that there was a lack of guidance concerning the limitation of report distribution. Lastly, a question was raised regarding page 129, which stated that nonconformance with the standards must be disclosed, prompting inquiries about the specific details that needed to be disclosed, including the relevant standard(s), the reasons for nonconformance, and the impact on the engagement findings and conclusions.
6.2	Standard 15.2 Confirming the Implementation of Action Plans		Implementation	Two suggestions were made regarding the process of confirming management's implementation of agreed-upon action plans in internal auditing: The first suggestion proposed amending the requirement to emphasize risk mitigation rather than the mere implementation of agreed actions. This adjustment would ensure that the focus remains on mitigating risks, as the action agreed upon at the closure of an audit may no longer be relevant. The second suggestion recommended adding a perspective that internal audit does not necessarily follow up on every aspect, but instead considers how coordinated assurance can fulfil the follow-up process. This suggestion highlights

Ref no:	Standard	Standard requirement	Comments Received	Standard
				the potential role of coordinated assurance in carrying out necessary follow-up activities. The benefits of an Agile Internal Audit Approach must also be noted. This approach will assist during the follow up process as matters are reported quicker allowing management to implement actions sooner for IA to follow up.

ANNEXURE 2: STAKEHOLDERS ENGAGED ON PROPOSED STANDARDS

Kindly refer to the list of stakeholders below that the IIASA engaged through amongst others, presentations on the proposed Standards at committee meetings, direct communication, workshops, tabling of the proposed Global Internal Audit Standards on meeting agendas and sharing of the survey links with the respective stakeholders at meetings:

Stakeholder Name
The Independent Regulatory Board for Auditors in South Africa
The National Treasury of South Africa
King IV Report on Corporate Governance Committee (Chairperson of the Committee)
South African Institute of Chartered Accountants
Auditor-General of South Africa
The Audit Committee Forum of South Africa
The Public Sector Audit Committee Forum
Integrated Reporting Committee of South Africa Working Group
Audit Firms (big 4 and mid-tier)

ANNEXURE 3: IRBA COMMENT LETTER

INTEGRITY I PUBLIC INTEREST I AUDIT QUALITY

30 May 2023

Dr. Lily Bi
Executive Vice President - Global Standards and Certifications
Institute of Internal Auditors
1035 Greenwood Blvd., Suite 401
Lake Mary, Florida 32746, USA
By email: *Lily.Bi@theiia.org*

Dear Dr. Lily

COMMENTS ON THE INSTITUTE OF INTERNAL AUDITORS' (IIA) PROPOSED GLOBAL INTERNAL AUDIT STANDARDS (PROPOSED STANDARDS)

The Independent Regulatory Board for Auditors in South Africa (IRBA South Africa) is both the audit regulator and national external auditing standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors; and the promotion of investment and employment in South Africa.

We appreciate this opportunity to comment on the IIA's proposed Standards, and our remarks are presented below under General Comments.
If you require further clarity on any of our comments, please email ychoonara@irba.co.za.

Yours faithfully,

Signed electronically

Imran Vanker
Director: Standards

Yussuf Choonara
Professional Manager: Standards

GENERAL COMMENTS

1. Overall, the IRBA South Africa is supportive of the IIA's efforts in updating the proposed Standards, to ensure that the existing Standards remain adequate to guide the current practices of internal auditing in today's rapidly evolving global environment. Furthermore, these proposed Standards will be responsive to the interests of stakeholders, while also offering better guidance for internal auditors.
2. We acknowledge that the work of internal audit is challenging; as such, we recognise the importance of keeping the Standards up to date, to ensure that they are relevant and fit for purpose. That will, in turn, reinforce the quality, relevance and effectiveness of internal audit services.
3. The IRBA South Africa further supports the simplified structure of the proposed Standards and how they are organised into domains, and welcomes the following updates pertaining to:
    - The "new" purpose of internal auditing.
    - Enhancing the ethics and professionalism by including "due professional care".
    - Adding recommended practices and evidence of conformance after each Standard.
    - Including content that is specific to the public sector, small internal audit functions and advisory services.
    - Clarifying the Board of Directors' role in governing internal audit.
    - Explaining the role of chief audit executives and the internal audit functions.
    - Adding details to describe performance requirements and measurements, to raise the quality of internal audit services; and
4. We, however, recommend that the IIA consider the suggestions presented below, as it works towards finalising the proposed Standards.

<u>Effective date of the proposed Standards</u>

The IRBA South Africa notes that in terms of the IIA's proposed timeframe, the final Standards will be issued during the latter part of 2023. The proposed effective date would be 12 months after the date on which the final Standards are issued. The discussion of the effective date is premised on the understanding that a re-exposure might be necessary, based on significant comments received.

In light of the significant changes made to the proposed Standards, the due process for their implementation/adoption will not be simple. For example, this could require a local review and update of the audit committees charter, the internal auditor's charter and their related mandates; also, the other jurisdictions would need to develop possible implementation guidance.

Also, there will be a need for the development or revision of methodologies and the training of staff. Further, a translation of the proposed Standards may also be necessary in some jurisdictions.

As such, the IRBA South Africa is of the view that the proposed timeframe might be too aggressive and needs to be reconsidered. We then suggest that the effective date be 24 months after the approval of the final Standards.

<u>International Standard on Auditing (ISA) 620</u>

The International Auditing and Assurance Standards Board's ISA 620, *Using the Work of an Auditor's Expert* (ISA 620), deals with the external auditor's responsibilities relating to the work of an individual or organisation in a field of expertise other than accounting or auditing, when that work is used to assist the external auditor in obtaining sufficient appropriate audit evidence.

The IRBA South Africa therefore suggests that the proposed Standards include the principles of ISA 620 (Revised), to address the roles and responsibilities of internal and external auditors, when the work of the internal auditor is used by the external auditor.

The requirements in ISA 620 that may be of relevance include, but are not limited to:

- Obtaining an understanding of the field of expertise of the external auditor's expert.
- Agreement with the external auditor's expert regarding:
  - The nature, scope and objectives of that expert's work.
  - The respective roles and responsibilities of the auditor and that expert.
  - The nature, timing and extent of communication between the auditor and that expert, including the form of any report to be provided by that expert; and
  - The need for the auditor's expert to observe confidentiality requirements.

Standard 11.1: Building Relationships and Communicating with Stakeholders – Considerations for Implementation and Evidence of Conformance

Paragraph three reads as follows: *"Meeting independently with individual senior executives and members of the board allows the chief audit executive to build relationships with them and learn about their concerns and perspectives. To better understand business objectives and processes, internal auditors may meet with key members of operational management, such as the head of a business unit and employees who perform operational tasks. In certain highly regulated industries or sectors, meetings between the chief audit executive and external auditors and regulators may be appropriate."*

The term "highly regulated" is subjective. The IRBA South Africa then suggests that further clarity be provided in this regard. We would support such engagement in the interest of engagement planning, than only in limited highly regulated cases.

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