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May 31, 2023

International Internal Audit Standards Board (IIASB)  
Institute of Internal Auditors (IIA)

Re: ACUA Response to Proposed Global Internal Audit Standards™ (Standards)

Dear Anthony J. Pugliese, IIA President and CEO and the IIASB:

On behalf of the Association of College and University Auditors (ACUA), we would like to express our appreciation for the IIASB's efforts to update the Standards. We encouraged our members to review the proposed Standards and provide their individual feedback through the IIA Survey. In addition, we polled our members to assess the general reaction to the proposed Standards. We have included a summary of their comments below.

ACUA is an international professional organization dedicated to the practice of internal auditing in higher education. ACUA has nearly 400 institution members, representing approximately 1,900 individual internal audit professionals. We strive to continually improve the internal operations and processes of the institutions we serve through continued professional development and disseminating personal audit experiences in an open forum with friends and colleagues. While ACUA cannot speak for all of its members, it is the opinion of the Board of Directors that these thoughts reflect those of many members.

### Executive Summary

ACUA's response regarding the proposed changes were developed by our Auditing and Accounting Principles Committee (AAPC). The AAPC consists of volunteers from various higher education institutions throughout the United States. ACUA members were polled on what they were most excited about in the proposed Standards and their concerns. Generally, there was support for the proposed Standards. However, there were several concerns, noted in more detail below. The specific top 3 concerns involve **Domain III Governing the Internal Audit Function, Standard 8.4 External Quality Assurance and Standard 15.1 Final Engagement Communication**. Overall, ACUA members expressed concerns that the proposed changes are too prescriptive and did not focus enough on improving the profession's substance.

### Details on the top 3 concerns of our respondents:

- Domain III Governing the Internal Audit Function: 59% of respondents question whether the IIA has the authority to mandate specific requirements of board members (who are also not typically IIA members). The CAE does not have authority over the board and should not be held responsible if the board does not follow the Standards.
- Standard 8.4 External Quality Assurance: 41% of respondents disagreed with the proposed requirements, specifically as it relates to the performance of an external review every ten years, the preference that the review team lead holds an active CIA designation, and the independent assessment teams requirement to have completed training recognized by the IIA. For many, higher education internal audit functions rely on **industry volunteers** to perform external validations after they've conducted their self-assessment. These requirements may be cost-prohibitive and exclude professionals with extensive peer review experience or who may hold other relevant certifications (e.g., CISA, CISM, CPA, MS/MBA).
- Standard 15.1 Final Engagement Communication: 21% of respondents were concerned with the proposed requirement that audit findings be ranked by significance. By nature, rankings are subjective and may cause unnecessary conflict between the internal audit function and management. Some members also objected to the requirement of due dates and key management contacts in the final report in case the perception was that the internal audit function was not allowing management to make decisions.
- Additional concerns raised are further illustrated in the attached list.

### Other concerns noted:

Members are concerned that the increased references to "must" and "should" will encourage a "checklist" mentality and discourage critical thinking and professional judgment within the internal auditing profession. Additionally, there are concerns that the original mission "to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight" is being replaced by a conflicting purpose by focusing on an organization's success and serving the public interest. Finally, ACUA survey respondents expressed these proposed changes may not be practical across all internal audit functions (e.g., public, private, large, small, etc.). Specifically for small internal audit functions, conforming to the proposed Standards may entail a considerable administrative burden and draw time away from core internal audit activities.

### Positive comments noted:

The most popular responses included the proposed changes to the organization, format, and clarification of roles and responsibilities of internal auditors vs. boards. More specifically, our members expressed excitement around the emphasis on objectivity, professional skepticism, the public sector, CPE, external assessors, evidence of conformance, and the de-emphasis on assurance vs. consulting.

Thank you for the opportunity to comment on these proposed changes. We would happily answer any questions from the IIASB regarding our comments.

Best Regards,

DocuSigned by:  
*Melissa Hall*  
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Melissa B. Hall  
President  
Association of College and University Auditors

Attachment

**Other concerns noted:**

- Domain I: Purpose of Internal Auditing: 10% expressed concern that the inclusion of "enhancing the organization's success" and "serving the public interest" in the new purpose statement presents a conflict of interest and a shift in priorities from the current mission statement that includes "providing a risk-based independent and objective service."
- Standard 2.1 Individual Objectivity: 10% felt the statement, "internal auditors must be aware of and manage potential biases," implies internal auditors are inherently biased instead of fair and impartial. A lack of conceptual framework for identifying and evaluating threats to independence and applying safeguards was noted.

**More details on the top concerns for small internal audit functions include the following:**

- Standard 2.2 Safeguarding Objectivity: Internal auditors not being able to provide assurance over an activity where they provided advisory services within the last year is too restrictive and limiting.
- Standard 10.2 Human Resource Management: The requirement that the CAE "must establish a program to recruit, develop, and retain qualified internal auditors" is overly-burdensome to the CAE and small internal audit functions.
- Standard 12.1 Internal Quality Assessment: The suggested alternative for small internal audit functions "to consider requesting assistance from others within the organization to conduct periodic assessments, such as former internal auditors or others with suitable knowledge of internal auditing" and increase the use of checklists or automated tools seem to offer little value relative to the resources required to complete these activities.
- Standard 12.2 Performance Measurement: The requirement that the CAE develops and reports on a performance management methodology—in an effort for accountability of internal audit to both the board and senior management—creates an administrative burden.