

News from the IIA

I. Taking Stakeholder`s Interests Into Account When Reporting

2010.A2 – The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.

2410.A1 - Final communication of engagement results must, where appropriate, contain the internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation: *Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.*

2450 – Overall Opinions When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation: *The communication will identify:*

- *The scope, including the time period to which the opinion pertains;*
- *Scope limitations;*
- *Consideration of all related projects including the reliance on other assurance providers;*
- *The risk or control framework or other criteria used as a basis for the overall opinion; and*
- *The overall opinion, judgment, or conclusion reached.*

The reasons for an unfavorable overall opinion must be stated.

Remarks from Joachim Kregel:

With Effect of 1.1.2011 when it comes to reporting the CAE must consider the expectations of his clients i.e. the board and the top management level as well as other interest groups.

Explanation:

The IIA says farewell for ever jubilate the bean counting. It rather likes to influence all members for smart (**s**pecific, **m**easurable, **a**ttainable, **r**ealistic, **t**rackable) reporting. Scope limitations must be explicitly stated. A chosen general conclusion must be comprehensive and consistent. Expectations of the stakeholders should be addressed through substantial reporting matters. For example: board expectations of possible fraud issues (compliance) must be addressed as well as its interests in financial reporting matters (financial auditing). Top management interests in effective and efficient internal processes (operational auditing) should also be served as well as leadership issues (management auditing).

II. Outsourcing the Internal Audit Function

BrandNew:

2070 – External Service Provider and Organizational Responsibility for Internal Auditing

When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.

Remarks from Joachim Kregel:

Explanation:

In Germany the BiLMoG obliged the Board of Management as well as the Board of Directors to cater for an effective and efficient Internal Audit Function. For example: responsibility that a risk-orientated approach is taken by the outsourced IA lies within the board. Furthermore the subjects of corporate governance have to ascertain that the audit work carried out is based upon a systematic and professional approach fixed in written form, that all steps of audit work are documented well, documentation is responsive and in proper order, and processes for reporting and follow-up are functioning.

Well, exactly these are the fundamentals of a German based Quality Assessement to be fulfilled at a minimum.