

December 17, 2007

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, DC 20006-2803 USA

Response e-mailed to Comments@pcaobus.org

RE: Preliminary Staff Views – October 17, 2007

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) welcomes the opportunity to respond to the PCAOB's Guidance for Auditors of Smaller Public Companies.

We commend the PCAOB for developing guidance for audits of internal control for smaller public companies. The guidance is valuable and provides useful examples for performing audits of internal control in smaller, less complex companies.

We would appreciate consideration by the Staff of the following comments:

The section *Categories of IT Controls* is not consistent with the guidance in Auditing Standard No. 5: An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements. Auditing Standard No. 5 states that the scope of work should be focused on the risk of material misstatement of the financials, which is determined using a top-down and risk-based process. The *Categories of IT Controls* section within the proposed guidance adopts a more general approach of assessing IT controls (especially IT general controls) before reliance on IT controls has been established. IT general controls need only be assessed if there are automated application controls (including IT-dependent controls) that are relied upon to prevent or detect material misstatement.

The IIA believes that in a small company or IT department, there is always the need to perform a review based on risks. We believe this should be more specifically stated in the document as well as the need to consider informal procedures and standards and the experience of the IT staff when assessing risks.

Finally, we recommend the chief audit executive (CAE) is specifically mentioned as one of the appropriate management personnel consulted for the purpose of obtaining an understanding of the control environment and the risk of fraud. In addition, it is appropriate and important that the CAE is consulted as part of the audit planning process.

The IIA welcomes the opportunity to discuss these recommendations with you. If we can be of further assistance, please contact me.

Best Regards,



David A. Richards, CIA

About The Institute of Internal Auditors

The IIA is the global voice, acknowledged leader, principal educator, and recognized authority of the internal audit profession and maintains the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These principles-based standards are recognized globally and are available in 29 languages. The IIA represents more than 150,000 members across the globe, and has 99 affiliates in 165 countries that serve members at the local level.