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Oct.27, 2014

Subject: FSFR Comments on the International Professional Practices Framework (IPPF) Exposure

Dear Sir/Madam,

Thank you for the opportunity to comment on the Institute of Internal Auditors' IPPF document. By way of back ground, FSFR is one of the Japan based CIA Forum founded voluntarily in the IIA-Japan. The Comments are circulated in order to stimulate discussion. Views expressed are those of members and do not necessarily reflect those of the IIA-Japan and/or the entity they belong to.

In general we support the enhancements of framework proposed by the IIA as they will lead to a strong International Professional Practices Framework, and in many cases offer expanded guidance that is helpful as compared to current guidance.

In our view however, there are some aspects where clarification or reconsideration of the underlying basis supporting the framework is required. The detailed discussion is included in the attached Exposure Draft Survey Questions.

If you would like to discuss our views in further detail, please do not hesitate to contact us. Our contact person is Mr. Yoshifumi Miyagi (yoshmiyagi@aol.com).

Kind regards,

A handwritten signature in blue ink, consisting of a stylized 'Y' followed by a long, horizontal flourish.

Yasuhiro Takashima
Chairman
FSFR (CIA Forum No.24 of IIA-Japan)

EXPOSURE DRAFT SURVEY QUESTIONS

1. MISSION OF INTERNAL AUDITING

1.1 To what extent do you support the addition of a Mission of Internal Auditing to the IPPF?

Completely Support Do Not Support

5 4 3 2 1

Comments:

1.2 To what extent do you agree that the proposed Mission of Internal Auditing captures what internal audit strives and/or aspires to accomplish in organizations?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

2. CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

2.1 To what extent do you support adding Core Principles for the Professional Practice of Internal Auditing as an element of the IPPF?

Completely Support Do Not Support

5 4 3 2 1

Comments:

2.2 Do you agree with the three "input-related" Principles as proposed?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

We appreciate the ease of following the order (while not in the order of importance) of integrity through competence.

2.3 Do you agree with the six "process-related" Principles as proposed?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

2.4 Do you agree with the three " output-related" Principles as proposed?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

2.5 Do you agree with the order of the 12 Principles as proposed?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

2.6 To what extent do you agree with the view that all Principles must be " present and operating effectively" for an internal audit function to be considered effective?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

We note the new COSO 2013 framework requires reviews of whether or not all the 17 Principles relevant to the constituting components are present and operate, when the effectiveness of the internal control is assessed. We appreciate (a) the similarity between the new COSO's and the IPPF's approach with the 12 Principles as the basis for the assessment of effectiveness of the internal audit function and (b) this similarity helps us to understand and to practice.

2.7 Do you agree that the Principles, if adopted, would require guidance to help demonstrate to practitioners what the Principles might look like in practice?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

We note that the new COSO 2013 framework offers 87 points of focus as the 'symptoms' of the presence and functioning of the 17 Principles. We appreciate the 'Guidance', having corresponding relation with the new COSO framework's points of focus, is

significantly helpful, when it offers easier-to-use clues for us to understand: (1) what ways the Principles may be achieved to conclude that the internal audit practice in question is effective; and (2) the relationship between the Principles and the Standards.

3. IMPLEMENTATION GUIDANCE & SUPPLEMENTAL GUIDANCE

3.1 To what extent do you support the restructure of guidance elements from "Practice Advisories" to a more comprehensive layer entitled "Implementation Guidance" as part of the framework?

Completely Support Do Not Support

5 4 3 2 1

Comments:

We consider that the "Guidance" is better to be used throughout for us to appreciate easily (see next comments).

3.2 To what extent do you support the restructure of guidance elements from "Practice Guides" to "Supplemental Guidance" as part of the framework?

Completely Support Do Not Support

5 4 3 2 1

Comments:

We consider that the "Guidance" is better to be used throughout for us to appreciate easily (see previous comments).

4. ADDRESSING EMERGING ISSUES

4.1 To what extent do you support the introduction of a new IPPF element to address emerging issues?

Completely Support Do Not Support

5 4 3 2 1

Comments:

May we understand as follows? The 'Guidance' would be offered, through immediate issuance of "papers", that is helpful for the internal auditors identifying elements to verify urgently, in response to an "emerging issue": e.g., Zero-days attack exploiting vulnerability in the Internet Explorer?

4.2 To what extent do you agree that Emerging Issues Guidance, due to its quicker development process, should be less authoritative than

Supplemental Guidance as part of the framework?

Completely Agree Do Not Agree

5 4 3 2 1

Comments:

We hope that an update of a higher level element within the new framework is programmed upon consideration of accumulated Emergency Issues Guidance.

Position Papers

5.1 To what extent do you support the deletion of " Position Papers" as an element of the IPPF?

Completely Support Do Not Support

5 4 3 2 1

Comments:

We tend to draw a certain level of similarity between the current Position Papers and the Emerging Issues Guidance, if not perfect match. Is this mirroring misplaced?

5. REQUIRED AND RECOMMENDED

6.1 To what extent do you support revision of the words " Mandatory" and " Strongly Recommended" to " Required" and " Recommended," respectively?

Completely Support Do Not Support

5 4 3 2 1

Comments:

We appreciate the proposed choice of the terms is more helpful than the current set to understand the difference.

6. SUMMARY OF THE ELEMENTS OF THE PROPOSED REVISED IPPF

7.1 Overall, to what extent do you support the changes regarding the IPPF as detailed on the previous page?

Completely Support Do Not Support

5 4 3 2 1

Comments:

7.2 To what extent do you agree that the pictorial representation adequately depicts the hierarchy and interrelationships of each element of the new proposed IPPF?

Completely Agree Do Not Agree

5 4 **3** 2 1

Comments:

- (1) We consider, leaving a difficult task to artists, that it would be better to place the block of "Emerging Issues Guidance" to cover/wrap-up the blocks of "Implementation Guidance" and "Supplemental Guidance" rather than having the three equally independent blocks to symbolize the relationship among the three elements as we understand.
- (2) It appears that it is better to place the ring of "mission" to surround the whole, not within the requirements/recommendations.
- (3)The red logo of "IPPF" may be better placed within the logo, rather than the current position of right-bottom corner.

7.3 To what extent do you agree that the pictorial representation of the proposed new IPPF is visually appealing?

Completely Agree Do Not Agree

5 4 **3** 2 1

Comments:

We prefer the letters/fonts are made larger relative to other things in the logo to make them more readable even when represented in a smaller print.