

The IPPF Task Team

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**Response to Proposed Enhancements to The Institute of Internal  
Auditors International Professional Practices Framework (IPPF)**

The Institute of Internal Auditors South Africa (IIA SA) appreciates the opportunity to respond to the proposed changes to the IPPF.

The IIA SA has submitted an electronic response containing similar information as presented in this letter. This response does contain some more detail due to the limitation of the electronic response mechanism.

Yours faithfully

Shirley Machaba  
Chairman: Institute of Internal Auditors South Africa

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Professional Practices Framework (IPPF)**

**Comments from the Institute of Internal Auditors South Africa (IIA SA)**

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**1 Executive summary:**

The discussion in the paper is divided into 2 primary sections. An overall discussion of the executive summary, proposed enhancements to the IPPF (sections 1, 2) and a response to questions section (section 3). We recommend that a letter be submitted by the IIA SA on the discussion of the paper and that the questions be answered as a separate submission referring to the letter.

The IIA SA is comfortable with the executive summary but also suggests consideration be given to the possible inclusion of an explanatory statement with regards to the purpose of the principles in relation to the standards. Perhaps by suggesting that one's IA function will not be as effective if all the principles are not in place and operating adequately. The principles need to be tied back to the Quality Assurance process and the impact of a lack of conformance to a principle needs to be expanded in the detailed document.

**2 Proposed enhancements to the IPPF**

**2.1 *Mission of internal auditing* (“TO ENHANCE AND PROTECT ORGANISATIONAL VALUE BY PROVIDING STAKEHOLDERS WITH RISK-BASED, OBJECTIVE AND RELIABLE ASSURANCE, ADVICE AND INSIGHT”):**

It was noted that the word ‘enterprise’ was used in other places of the document and should rather continue to be used for the sake of consistency. As such, IIA proposes changing the term “organisational value” to “enterprise value” and to impose this pattern throughout the document.

The IIA SA also proposes the use of the word “reasonable” in place of “reliable” as reliability is a concept that is subjective, and as such could leave the profession open to legal consequences.

**2.2 Core Principles for the Professional Practice of Internal Auditing:**

1. *Demonstrates uncompromised integrity:*  
The IIA SA generally accepts this principle.
2. *Displays objectivity in mindset and approach:*  
The IIA SA generally accepts this principle.
3. *Demonstrates commitment to competence:*  
The IIA SA generally accepts this principle.
4. *Is appropriately positioned within the organization with sufficient organizational authority:*  
The IIA SA proposes replacing the words “sufficient authority” with that of “...independent organisational authority”, as it is perceived that the former could allow for authority to be allocated at a much lower position.
5. *Aligns strategically with the aims and goals of the enterprise:*

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It is advised that this document should reflect that this principle is an aim of the profession, noting though that this is not always achieved or supported by executive management. In those instances where internal audit fails to align, clarity should be provided by the authors of the principle so as to achieve conformance with the principle.

Clarity should be provided on instances what the role of audit is, should the goals of the organisation be illegitimate or unethical.

6. *Has adequate resources to effectively address significant risks:*  
The IIA SA generally accepts this principle.
7. *Demonstrates quality and continuous improvement:*  
The IIA SA generally accepts this principle.
8. *Achieves efficiency and effectiveness in delivery:*  
*The IIA SA suggests that the principle be renamed to: "Strive to achieve efficiency and effectiveness in delivery."*

The IIA SA notes that this principle is something that is strived for but not always attainable. IIA SA advises that this principle be reworded to reflect this as proposed above. There are also questions as to how this will be measured and what it would relate to. We recommend that measurement criteria be established to be included in the Quality Assurance process.

9. *Communicates effectively:*  
The IIA SA generally accepts this principle.
10. *Provides reliable assurance to those charged with governance:*  
It was again proposed that the word "reliable" be replaced with "reasonable" which is a generally accepted legal term in most countries i.e. referring to the reasonable man and the concept of reasonable assurance.
11. *Is insightful, proactive, and future-focused:*  
The IIASA believes that this principle would be difficult to measure. This should be considered in the document.
12. *Promotes positive change:*  
It was proposed that an interpretation of 'positive change' be included in the document. Does this refer to change in organisation behaviour? Some change might be perceived as negative by personnel or stakeholders so the milieu needs to be considered before this principle could be measured and interpreted. An interpretation of this principle is strongly recommended.

In addition to the separate comments, the IIASA put forward the following **general comments** to be considered with regards to all 12 principles.

- An interpretation of all the principles should be included.
- Clear guidance around the practicalities of the principles should be considered.
- The impact of the principles upon QAR (will this result in an opinion on all 12 principles, to state that internal audit activity is operating effective) should be demonstrated.

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- Guidance would be required to implement and assess the principles as well as an indication of who should be doing the assessment of the application and effect thereof.
- It should be noted that the level of conformance to principles should be linked to the capability maturity of the internal audit profession. Size of the internal audit activity may also influence how successfully the activity could implement all the principles and the level to which conformance could be achieved.
- There will be a need to update the Quality Assessment Manual.
- A further concern was iterated as follows: if an IA activity complies with the principles but does not comply with all the standards, is it still deemed to be effective even though it cannot be used in “conformance to standards”? This could be contradictive, and as such the document needs to address this concern.

**2.2.1 Page 5 (Principles 1-3; 4-9; 10-12):**

It is suggested that principles 1-4 speak more to the notion of “competency” and as such should replace the word “input”. Similarly, the IIA SA notes that principles 5-9 speak more to the idea of “audit activity” and should be used in the in place of “process”. Lastly, 10-12 is considered to be reflective of “delivery” which is advised be used in place of “output”.

**2.2.2 Page 6 (link to standards):**

The IIA SA suggests that the document should classify the 12 principles as per the standards, and then align the principles to standards.

**2.3 Implementation Guidance and Supplemental Guidance:**

There is a need to update the Quality Assessment Manual and provide guidance to assessors. The IIA SA agrees to issue new documents under the new terminology (i.e. using the term ‘Implementation Guidance’ in place of ‘Practice Advisory’, and ‘Supplemental Guidance’ in place of ‘Practice Guide’ in SA). There is also a question as to whether supplemental guidance would refer to the public vs private sector or industries; this needs to be clarified in the document.

**2.4 Addressing Emerging Issues:**

Guidance is needed with regards to where emerging issues would fall (i.e. under implementation or supplemental guidance), with the understanding that the implementation guidance should help you with 'how' to implement the standards, and supplemental guidance should give examples or more information / context relating to standards.

There is also a concern around what would be considered emerging issues and whether it would be internal audit global or country/industry specific; guidance is also needed, here.

It was also added that emerging issues should be issued within the first 6 months, perhaps in the form of social media uploads or quick one pagers providing guidance on topics (and should further information be received, it can be turned into supplementary guidance). Thus, there is a need to implement a process to graduate some of the guidance on emerging issues to Supplemental Guidance.

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**2.5 Position papers:**

The IIA SA iterated that this is not a guidance element for the IPPF, but they shouldn't disappear as referral is made back to these profession policy documents when interacting with stakeholders.

**2.6 Required and recommended:**

The IIA SA proposes replacing "Required and Recommended" with 'Mandatory and Recommended', as using the latter clearly distinguishes between that which is enforced and that which is optional.

**2.7 Summary of the elements of the proposed revised IPPF:**

The IIA SA does not suggest any amendments apart from the font size of the graphics - being too small to read adequately.

**3 EXPOSURE DRAFT SURVEY QUESTIONS:**

**3.1 Mission of internal audit**

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

The IIA SA rates this question at '5' but notes that the word, "Reliable" should be replaced with word "reasonable".

**3.1.2 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?**

The IIA SA allocates a rating of '5' for this question.

**3.2 Core principles for the professional practice of Internal Auditing**

**3.2.1 2.1. To what extent do you support adding Core Principles for the Professional Practice of Internal Auditing as an element of the IPPF?**

The IIA SA agreed to rate this question at '3' with concerns as addressed within the comments provided for this section of the document, noting that the rating could rise should those concerns be addressed.

**3.2.2 2.2. Do you agree with the three "input-related" Principles as proposed?**

The IIA SA rate this question at '3' with concerns, as addressed within the comments provided for this section of the document, noting that the rating could rise should those concerns be addressed.

**3.2.3 2.3. Do you agree with the six "process-related" Principles as proposed?**

The IIA SA agreed to rate this questions at '3' with concerns as addressed within. The IIA SA rate this question at '3' with concerns, as addressed within the comments provided for

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this section of the document, noting that the rating could rise should those concerns be addressed.

**3.2.4 2.4. Do you agree with the three “output-related” Principles as proposed?**

The IIA SA rate this question at ‘3’ with concerns, as addressed within the comments provided for this section of the document, noting that the rating could rise should those concerns be addressed.

**3.2.5 2.5. Do you agree with the order of the 12 Principles as proposed?**

The IIA SA allocates a rating of ‘4’ for this question.

**3.2.6 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?**

This question is rated at a ‘3’ with a note that some of the principles need to be addressed in terms of how the principles will be assessed and by whom.

The principles also need to be unpacked for small and large firms; however, that is not to suggest that smaller audits shops need not comply. This why there is a concern with the word “all”; suggesting that the document indicate that though conformance to all the principles may be necessary, it should perhaps be at different levels. The wording should, thus, be very specific and carefully done so that it is consistently understood.

**3.2.7 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?**

The IIA SA allocates a rating of ‘5’.

**3.3 Implementation guidance and supplemental guidance**

**3.3.1 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?**

The IIA SA allocates a rating of ‘4’.

**3.3.2 3.2. To what extent do you support the restructure of guidance elements from “Practice Guides” to “Supplemental Guidance” as part of the framework?**

The IIA SA allocates a rating of ‘4’.

**3.4 Addressing emerging issues**

**3.4.1 4. 1. To what extent do you support the introduction of a new IPPF element to address emerging issues?**

The IIA SA allocates a rating of 4’, commenting, however, on the need to answer a few of the practical considerations.

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**3.4.2 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?**

The IIA SA generally accepts this question but queries how it fits, requesting greater clarity on what is being proposed.

**3.5 Position papers**

**3.5.1 5.1. To what extent do you support the deletion of “Position Papers” as an element of the IPPF?**

The IIA SA allocates a rating of ‘4’ with a comment that though this may not be necessary within the IPPF, it should not be removed, altogether.

**3.6 Required and recommended**

**3.6.1 6.1. To what extent do you support revision of the words “Mandatory” and “Strongly Recommended” to “Required” and “Recommended,” respectively?**

The IIA SA rates this at ‘2’, noting that it needs to be changed from “Required and Recommended” to “Mandatory and Recommended”.

**3.7 Summary of the elements of the proposed revised IPPF**

**3.7.1 7.1. Overall, to what extent do you support the changes regarding the IPPF as detailed on the previous page?**

The IIA SA reasonably supports this question, allocating a rating of ‘4’.

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

The IIA SA allocates a rating of ‘5’.

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

Here, wording should change to reflect “Mandatory and Recommendations”, also noting that the writing is too small.