Comments from the IIA Finland on the Proposed Enhancements to the International Professional Practices Framework (IPPF)

31 October 2014

1. MISSION OF INTERNAL AUDITING

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

Score: 4

Comments:
Internal Auditing needs a clear and succinct Mission Statement especially for communicating to the outsiders the primary purpose of internal audit.

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?

Score: 3

Comments:
The proposed Mission Statement reflects well those stakeholder and practitioner views that we have learned from various surveys over the last years. However, as a stand-alone statement, it leaves some questions unanswered, e.g. who are the stakeholders of internal audit, and what is "insight" (how does insight deviate from assurance and advice). The Mission Statement would still need to be elaborated because the interpretation of value enhancement activities or value protection activities in assurance, advisory or insight roles may have very different understandings in different parts of the world.

Content-wise, the proposed Mission Statement overlaps considerably with the Definition of Internal Auditing. The IIA could consider whether they should be merged.

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?

Score: 5

Comments:
It strengthens the "principles-based" idea of and IPPF and nicely summarizes the standards and Code of Ethics. It is interesting to learn what impact the proposed principles may have on the future Quality Assurance Reviews. The "present-and-functioning" approach gives insight on how to assess the maturity of an audit shop in a similar way to the one used in COSO assessments.
2.2 Do you agree with the three “input-related” Principles as proposed?

Score: 5

Comments: none

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

Score: 4

Comments:
Independence should be mentioned in the “process-related” Principles, possibly in Principle # 4.

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

Score: 3

Comments:
The output-related Principles are not in balance with the proposed Mission Statement. The Mission addresses assurance, advice and insight, whereas only assurance is mentioned in the output-related Principles.

Regarding Principle #6, we suggest considering replacement of the verb "address". It is not clear enough as regards internal audit’s responsibility for risks.

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

Score: 3

Comments:
The proposed order of the 12 Principles is logical. However, considering that the Principles are used for communicating to key stakeholders the internal audit’s priorities, the outcome-related Principles should be mentioned first. The key stakeholders are mostly interested in the outcome.

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?

Score: 4

Comments:
Used together with the other elements of the IPPF, it supports well the idea of using the Principles in QAR.
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?

Score: 4

Comments:
Guidance is already available in the Standards, Code of Ethics, Practice Advisories and Practice Guides. Further guidance may be needed, though.

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?

Score: 5

Comments:
One must be careful in defining new wording just because of semantics. In this case the change brings more clarity to the meaning and use of the documents concerned.

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

Score: 5

Comments:
One must be careful in defining new wording just because of semantics. In this case the change brings more clarity to the meaning and use of the documents concerned.

4. ADDRESSING EMERGING ISSUES

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

Score: 5

Comments:
Addressing emerging issues in a timely manner is essential to maintain credibility of the IPPF. However, it is not clear from the exposure draft how and by whom the Emerging Issues Guidance will be developed and released.
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?

Score: 3

Comments:
As Supplemental Guidance would be classified as “Recommended”, there may not be any reason for having a new lower level classification for Emerging Issues Guidance. EIG would still be recommended for certain industries, territories, processes, etc.

5. POSITION PAPERS

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

Score: 4

Comments:
With the understanding that Position Papers are intended for internal audit’s stakeholders, they could be removed from the IPPF.

6. REQUIRED AND RECOMMENDED

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

Score: 5

Comments:
The proposed wording is clearer the current one.

7. 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?

Score: 4

Comments:
The proposed changes are mostly welcome. Some clarification and further contents would be needed as suggested in our comments above.
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?

Score: 4

Comments:
In the picture, Emerging Issues Guidance is classified as a recommended element. However, the exposure draft suggests that EIG would be less authoritative (= something less than “recommended”). In our view, EIG could be classified as “recommended” as shown in the picture.

We also refer to our comments on question 1.2 to consider merging the Mission Statement and the Definition of Internal Audit.

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

Score: 4

Comments:
The proposed picture is more appealing than the current one. However, the circle depicting the Mission appears to be detached from the other elements, outside the “ball”. We think the Mission could fully circle the ball.

The IPPF could also form a cube (something similar to COSO) where the Mission and the Core Principles are intersecting elements.