SAI Japan's comments on the draft of Strategic Development Plan for IFPP in 2023-2025

1. Definition of "application of the ISSAIs"

We have a comment on "application (compliance, implementation) of the ISSAIs" which appears frequently in the document (page 1).

It might be better recalled that it has been frequently mentioned in recent PSC-SC meetings and discussions on Component 1 that there is no clear definition to date as to what conditions must be met for an SAI to be said to be "applying ISSAIs". The application of ISSAIs has been ascertained through responses to global survey by IDIs and questionnaire by the PSC, all of which are self-reported by each responding SAI and presumably rely on subjective perceptions based on various interpretations of "applying ISSAIs". The ISSAI 4000 states that SAIs that have adopted ISSAI may make reference to ISSAIs in their audit reports if relevant requirements are met. However, in the above survey, information on how each SAI actually makes reference to ISSAIs in their reports, and whether or not it declares the application of ISSAIs by other means, or not, seems not used as a criterion for response to the surveys or consideration in the analysis.

Therefore, when we mention "SAIs applying ISSAIs," the actual situation may vary from one to another. There would be a concern that each working body of INTOSAI will implement their work relating to ISSAI implementation in such a state.

In this regard, in the next SDP period, as indicated in Strategic Objectives 4 of the GOAL 1 Operational Planning Dashboard 2023-2025 of the GOAL 1 Operational Plan 2023-2025, "application (compliance, implementation) of the ISSAIs" should first be clearly defined and discussed to clarify the criteria.

2. Figure 1: Various stages of SAIs applying the ISSAIs

We have a comment on Figure 1. (p. 2)

As mentioned in comment (1), as long as the definition of "application of the ISSAIs" is not clear, it is considered that SAIs seeking to apply ISSAIs may substantially aim in various directions, and such various forms should be illustrated as multiple concentric circles in this figure. In addition, it goes without saying that the process of implementing ISSAIs is greatly constrained by the legal system and historical background of each country, and therefore, partial adoption or prioritization of individual audit standards over audit principles may be possible. Therefore, it would not be appropriate to show all SAIs as on a linear process from the outside to the inside of the concentric circles, as in this figure.

Based on this understanding, the diagram should be depicted as a number of SAIs passing through multiple points in multiple concentric circles with arrows that are not straight lines.

Alternatively, at this point in time, the definition of "application of ISSAIs" is not clear, this figure could simply be deleted.

3. Principles-based approach

We have a comment on "To facilitate global acceptance and application of the INTOSAI Ps and the ISSAIs, our primary aim is to follow a principles-based approach" (p. 3).

The current IFPP incorporates IFAC's ISAs by renumbering of them to the 2000 series of ISSAI. Each ISA standard consists of Introduction, Overall Objectives of the Auditor, Definition, Requirement, and Application and Other Explanatory Material, of which Requirement set out audit procedures. It is said that ISAs have totally 500 requirements. That is, ISAs are set out based on a rule-based approach. So, in the case of financial audit, the following two options may be considered in order to shift IFPP from a rule-based approach to a principles-based approach. Option one is, ISSAIs incorporate only Overall Objectives of the Auditor of each ISA, Option two is, ISAs are not renumbered and removed from IFPP. (As to ISAs, refer to comment on the 'I' initiative.)

4. The 'A' initiative

We have a comment on the digitization of IFPP documents. (p. 4)

We are very much in favor of increasing the accessibility and searchability of the various provisions of the IFPP, and we believe it is appropriate to make a long-term commitment to digitization as a means of achieving this. However, even if the document is dismantled and converted into a wiki like ECA's AWARE (Accessible Web-based Audit Resource for the ECA), on the other hand, we request that the document file format, such as PDF, be maintained.

Maintaining the document's format is essential for understanding the relationship between sections and paragraphs, as well as organically understanding the wording of the ISSAIs as a whole. We are also concerned that translating wikified documents would be very cumbersome for SAIs like ours, which translate and use them in their own language, and would greatly impair convenience in this regard. Please keep this in mind when discussing long-term digitization.

5. The 'T' initiative

We have a comment on "the terminology developed will be based on the concepts defined in ISSAI 100 *Fundamental principles of public sector auditing* and the additional concepts defined in other key pronouncements" in the 'T' initiative (p. 4).

As indicated in the Component 1 all phases, there is lack of consistency and clarity in the sequence of ISSAI 100, ISSAI 300 and ISSAI 3000. This is because ISSAI 100 has been developed based on IAASB's *International Framework for Assurance Engagement* though

performance audit that is covered by ISSAI 300 and ISSAI 3000 is not assurance engagement. So, the 'T' initiative may consider comprehending terminology for non-assurance engagement that are not defined in ISSAI 100.

6. The 'P' initiative

We have a comment on "The ambition for this 'P' initiative is to achieve a clear set of INTOSAI principles stemming from the current INTOSAI-P documents". (p. 5)

As concerns were expressed at the PSC meeting, it is not appropriate to change the wording of each declaration, including the Lima Declaration, which is a historical document of INTOSAI. In particular, the Lima Declaration and the Mexico Declaration are cited in the UN General Assembly resolution (A/66/209) adopted on December 22, 2011, which is considered a milestone in the history of INTOSAI. It is our understanding that the intention of the Initiative is to develop a new set of INTOSAI Principles by extracting and reorganizing elements from existing documents that could become INTOSAI Principles. In addition, at that time, each declaration will be removed from the INTOSAI-P.

7. The 'I' initiative

We have a comment on "The output of this 'I' initiative will be an updated set of ISSAIs" in the 'I' initiative (p. 5).

The current IFPP incorporates IFAC's ISAs by renumbering of them to the 2000 series of ISSAI. But INTOSAI has no responsibility for their contents because they are developed by IFAC's IAASB. Furthermore, as indicated in the results of survey on the IFPP, renumbering of ISAs to the 2000 series of ISSAI has no benefit and no necessity in practice. So, the 'I' initiative may consider excluding ISAs from the IFPP to make clear that INTOSAI has no responsibility for their contents, and INTOSAI has not adapted them.

8. The 'G' initiative

We have a comment on "The output for this 'G' will be a set of recognized criteria for the nature of guidance that should be an integral part of the framework, and an appropriate due process for such material".

Guidance is currently composed of 4 types of Guidance, namely SAI Organizational Guidance, Supplementary Audit Guidance, Subject Matter Specific Guidance, and other Guidance. Out of 4 types of Guidance, Supplementary Audit Guidance, namely GUID 3910 and GUID 3920 sometime contains mandatory considerations that auditors need to take into account to give effect to requirement of ISSAIs. So, the 'G' initiative may consider moving all mandatory considerations in Supplementary Audit Guidance into ISSAIs as Application and Other Explanation Material, maintaining the rest of Supplementary Audit Guidance in the IFPP with

the application of new simplified due process, and excluding other 3 types of Guidance from the IFPP.