

August 15, 2008.

Dear Dr.Larry E. Rittenberg,  
Chairman of the COSO

I appreciate the opportunity to provide my comments to the exposure draft COSO Monitoring Guidance. I hope my comments attached to this E-mail give you some meaningful advice.

I guess final version of this monitoring guidance will have a good influence on Japanese internal control reporting systems.

Very truly yours.

Shinji HATTA  
Professor of Graduate School of Professional Accountancy,  
Aoyama Gakuin University  
E-mail:shatta@cc.aoyama.ac.jp

## Comments to the exposure draft “COSO Monitoring Guidance”

Shinji Hatta

Professor of Graduate School of Professional Accountancy,  
Aoyama Gakuin University, Tokyo in Japan

### 1. Points improved

- As theory and practice are not forced to be separated, in addition, the practical application guidance was added, it became much clearer to understand.
- As the treatment of indirect information and its detailed procedures were added, it became clearer to understand.
- It's helpful some guidance for the monitoring on IT control were provided.

### 2. Points to be considered again

- The definition of “objectivity” remains a little ambiguous. And also, the objectivity not only of people but of organization should be considered.
- It should be clear that, especially ongoing monitoring, Management could use the evaluation of internal control by the monitoring function, in what level of objectivity and what to the extent.
- The monitoring cycle is described in a static manner. The planning of monitoring procedures, however, should be more dynamic as it continues to the final phase of evaluation procedure, what is called, in a continual and interactive process.
- Although compensating control is referred in many places, complement control and substitute control should be treated separately. And then, more detailed guidance for especially in small and medium sized organizations, compensating control should be provided.
- The concept of “evaluator” is not clear. It should be discussed, at least, separately in case of internal auditors and in case of low management.
- The Applying the Concepts should be provided more realistic and concrete examples. In addition, it needs to show the results of evaluation by monitoring in those cases.
- In the section of Report, not just content of report but also the quality of information should be discussed.
- There should be more detailed explanation on the application of the guidance according to the size of organization. Alternatively, the guidance should be provided by the size of organization.
- The issue about quality control on monitoring system, including assessments by the third party, should be discussed.

## Demographic Information

1. My name

Shinji Hatta

2. My e-mail address

shatta@cc.aoyama.ac.jp

3. My position

Professor

4. Country

Japan

5. Name of organization

Aoyama Gakuin University

6. Classification of the above-named organization

Academia

7. Annual revenues of the above-named organization

\$500M - \$1billion