



# 2018 Global Council

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**Denny Beran, CIA, QIAL, CCSA, CRMA**  
Past Chairman of the Board

# **POSITION ON LICENSING THE IA PROFESSION**

# Agenda

- Overview and approach
- What we learned
- Key themes
- Key underlying causes
- Conclusions
- Key recommendations

# OBJECTIVE

To gain understanding of current state of laws, regulations and licenses related to internal audit, and recommend related IIA position.

# Approach

- Questionnaire to Affiliates on current state and views
- Questionnaire to practitioners on views
- Interviewed 16 select Affiliates and NA Board
- Interviewed 11 key stakeholders
- Interviewed 4 IIA executives
- Conducted on-line research on US laws/regulations
- Performed benchmarking with other professions

# What We Learned

- **Laws and Regulations**
  - 84% of Affiliates reported the existence of laws and regulations, generally related to publicly traded, public sector or financial services
  - Affiliates and practitioners generally support laws and regulations mandating internal audit, and noting conformance with IPPF
- **Licenses**
  - Affiliates are more likely to support licensing than practitioners
  - 15 Affiliates reported existing or in-process licenses, BUT upon follow-up, we identified:
    - Existence of only 1 quasi-license
    - Confusion exists on the meaning of 'license'

# What We Learned

- Stakeholders generally favor less regulation because laws:
  - Reduce choice and innovation by impeding free markets
  - Remove the decision making from management and boards
  - Reduce the freedom our profession has today to independently determine its scope and approach
  - Can lead to minimal conformance versus value-added internal audit (“check the box”)

# What We Learned

- Stakeholders generally favor less regulation because:
  - The IIA is more likely to keep professional practices relevant
  - Profession should create demand by providing value, not by encouraging regulation
  - “Be careful what you wish for.”



# Key Themes

- Key concerns identified via questionnaires and interviews:
  - Awareness and recognition of the profession is not universal
  - Large number of practicing internal auditors do not join The IIA and may not be aware of professional requirements

# Key Themes

- Some Affiliates favor laws or regulations that mandate internal audit, conformance with the IPPF, and membership in The IIA
- These Affiliates view laws as solution to improve quality and consistent performance of practitioners, bring recognition and stature to profession, and increase membership
- Some see IIA role in monitoring and enforcing
- Three Affiliates are currently evaluating or pursuing “self-regulation”

# Key Underlying Causes

- Lack of understanding of role, value potential of IA
  - Lack of stakeholder understanding and support
- Inconsistent IA quality delivery
  - No minimum professional requirement
  - Lack of understanding of IPPF
- Competition amongst professional organizations for members
  - Nature of IA draws practitioners with differing backgrounds
  - Rotational role for many
- Value proposition for membership lacking
  - Low level of maturity or lack of dedicated resources

# Conclusions

- The IIA's existing position on laws, regulations, licensing is fundamentally correct
  - Some enhancements suggested
    - Advocate for Organizational Governance Codes
  - Develop legislative and regulatory guidelines
  - Document position as official policy in Board Policy Manual
  - Develop effective communication and implementation plan for policy, to ensure understanding and conformance
- Affiliates aware of new laws, regulation or licenses must contact IIA Global Headquarters
- To ensure root cause of key issues addressed, other actions needed by IIA global and Affiliates

# Key Recommendations

- Develop effective communication and implementation plan for policy to ensure understanding and conformance
- Greater focus advocacy, education and relationship building with key stakeholders (Directors/IFAC)
- Encourage COSO to develop organizational governance code
- Assess advisability of self-regulation
- Enhance support and education of Affiliates
- Include Global Operating Model analysis in 2019 Strategic Plan