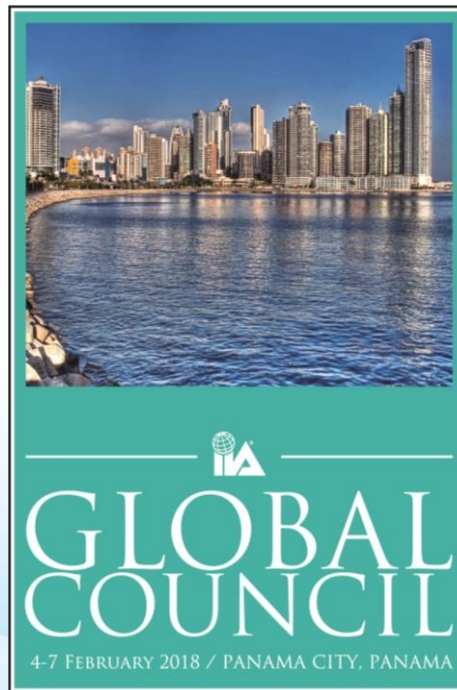


2018 Global Council Background Papers





Contents

A. Agenda..... **Page 3**

B. Global Council Overview..... **Pages 4–6**

C. Background Paper #1: *Global Strategic Plan* **Pages 7–12**

D. Background Paper #2: *Conformance with the Standards*..... **Pages 13–18**

E. Background Paper #3: *Global Certifications*..... **Pages 19–25**

F. Background Paper #4: *IIA Global Governance Changes and the Future of Global Council*..... **Pages 26–29**



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



Sunday, 4 February

12:00–17:00	Registration
09:00–15:00	Affiliate Management Workshop (by invitation only)
18:00–20:00	Welcome Reception

Monday, 5 February

07:15–08:15	Registration
08:30–10:00	Opening Session (Introductions and Roll Call, Welcome to Panama)
10:00–10:30	Break
10:30–11:00	General Session 1: Global Strategic Plan
11:00–12:30	Breakout Discussion Session 1: Global Strategic Plan
12:30–13:30	Lunch
13:30–14:00	General Session 2: Conformance with the Standards
14:00–15:30	Breakout Discussion Session 2: Conformance with the Standards
15:30–16:00	Break
16:00–17:00	Knowledge Exchange Session 1
18:30–21:00	Transportation to Cultural Evening and Dinner Hosted by IIA–Panama

Tuesday, 6 February

08:30–09:30	The State of the Global Profession
09:30–10:00	General Session 3: Global Certification Strategy
10:00–10:30	Break
10:30–12:00	Breakout Discussion Session 3: Global Certification Strategy
12:00–13:00	Lunch
13:00–14:30	General Session 4: Global Projects and Initiatives
14:30–15:30	Knowledge Exchange Session 2
15:30–16:00	Break
16:00–17:00	Closing Session

Wednesday, 7 February

08:30–14:30	Cultural Tour of Panama Canal and Casco Antiguo
-------------	---



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



OVERVIEW

Global Council is designed to provide a forum for representatives from all IIA Affiliates to discuss strategic issues of The IIA, the internal audit profession, and provide input on topics of current interest. The 2018 Global Council is a three-day event that includes informative sessions on key strategic initiatives, interactive discussion sessions where IIA Affiliate leaders contribute their input and feedback on behalf of their Affiliate, and networking sessions that facilitate the exchange of ideas and leading practices among participants. Although The IIA's 100+ Affiliates vary in membership size, level of maturity, and range of activities, the annual Global Council serves as a platform where each Affiliate's contributions add to the capacity, depth, and diversity of The IIA's global network.

OPENING SESSION

Following the traditional roll call of all Affiliates present, The IIA's 2017–18 Global Chairman of the Board J. Michael Peppers, CIA, QIAL, CRMA, will officially open and preside over the 2018 Global Council. During the opening session, an update will be shared on key efforts conducted since the 2017 Global Council in Rome where the future strategic direction of The IIA and our collective ability to respond to the voice of stakeholders were discussed.

GENERAL SESSIONS

Delegate input gathered at the 2017 Global Council reinforced the necessity to overhaul and improve the process of how The IIA develops its Global Strategic Plans to ensure Affiliates' perspectives are taken into consideration and to create a sense of shared ownership of the 2019–23 Global Strategic Plan. Since Rome, The IIA embarked on a worldwide information gathering effort in each region. The first General Session will bring awareness to the perceived strengths, weaknesses, opportunities, and threats of The IIA and the profession and highlight the results of the advance Polling Questions as well as high-level themes for your consideration and input during the breakout discussion sessions.

Following the breakout discussion on the Global Strategic Plan, the second General Session is devoted to Conformance with the *Standards* and exploring two concepts – maturity model and conform-and-explain model. The results of the advance Polling Questions will be presented. While The IIA has made significant progress toward improving global recognition of the *Standards*, data collected through the 2015 Common Body of Knowledge, the 2016 Global Council, and the 2017 conformance discussion paper indicates there is an opportunity for stronger collaboration among IIA Global Headquarters and Affiliates to continue to improve global understanding and adoption of the *Standards*.

With more than 180,000 IIA certifications and qualifications awarded globally, The IIA's suite of certifications and qualifications ensure internal audit practitioners have the knowledge and skills necessary to further their careers and bring value to organizations. With seven certifications and one qualification, the third General Session will focus on collecting Affiliate input on The IIA's global certification strategy with an emphasis on the CGAP, CFSA, CCSA, and CRMA. The results of the Polling Questions will be presented.



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



The fourth and final General Session will be devoted to review progress and next steps related to major strategic initiatives that have a global impact such as the future of Global Council and licensing the profession.

BREAKOUT DISCUSSION SESSIONS

The Breakout Discussion Sessions are conducted in roundtables of seven to eight participants, supported by a facilitator and note taker from the IIA Executive Committee and staff.

During these Discussion Sessions, participants are grouped in several rooms either randomly, or by Affiliate size/maturity. Table participants change for each session, and in the event there are two representatives from the same Affiliate, they will be seated at different tables.

Participants will have 90 minutes to debate and share their views on the Discussion Questions included in the Background Papers below. These facilitated discussions are intended to seek input and ideas from all participants, generate debate, and ultimately provide collective, agreed-upon suggestions, recommendations, and direction to the discussion questions. So while each participant will come to the Global Council prepared with their Affiliate's views and ideas, it is expected that additional, unique insights will be gained from the collective sharing and exchange that occurs during the Discussion Sessions.

KNOWLEDGE EXCHANGE SESSIONS

Following positive reviews and a demonstrated need to continue to facilitate the sharing of knowledge and information, the 2018 Global Council will include two Knowledge Exchange Sessions dedicated to sharing ideas, solutions, solving common challenges, and learning more about the services offered by The IIA to support your Affiliates' growth and sustainability.

BACKGROUND PAPERS: ADVANCE POLLING QUESTIONS AND DISCUSSION QUESTIONS

Global Council seeks input from Affiliates on the discussion topics in two ways: advance Polling Questions (done via a survey) and onsite Discussion Questions. The key to successful Global Council participation is preparation. Affiliates must review the following Background Papers in advance and prepare to respond to the advance Polling Questions. Global Council participants are encouraged to seek input on the Discussion Questions from their board and, if applicable, staff, and come prepared to Panama to share their Affiliate's views on each topic.

Each Affiliate will be asked to respond to the Polling Questions below in the form of an online survey that will be sent to Affiliate Contacts the first week in January. This will ensure all Affiliates' input is considered in the analysis of results that will be shared during Global Council, including those unable to attend the event.



SOCIAL EVENTS

The Global Council event is also a unique opportunity for participants to network with each other socially and discover new cultures together. The IIA and IIA–Panama will offer participants an opportunity to experience Panama City and Panamanian culture through several social events.

Global Council will start with the Sunday Welcome Reception hosted by The IIA at the Hilton Panama where delegates can reconnect with old friends and make new acquaintances. The Monday night Cultural Evening and Dinner, which will feature an exquisite evening of music and cuisine, will be hosted by IIA–Panama in a picturesque setting off site.

One of the unique aspects of Global Council is the opportunity for participants from around the world to discover the sights and sounds of the local city and culture together. Following two days of Global Council meetings, delegates and their guests are invited to join the optional tour scheduled for Wednesday. Pre-registration is required.

CLOSING SESSION

The Closing Session will start with a high-level summary of key takeaways of what was shared by participants during the Global Council discussion sessions. Then the location of the 2019 Global Council will be revealed, prizes will be awarded to contest winners, and finally we will gather for the annual group photo to commemorate the event.

We look forward to seeing you in Panama City! Any questions should be directed to Institute.Relations@theiia.org.



BACKGROUND PAPER: GLOBAL STRATEGIC PLAN

INTRODUCTION

The IIA's Bylaws state that Global Council "shall provide input to the strategic direction of The IIA." Hence, Global Council plays a significant role in establishing The IIA's Global Strategic Plan and providing advice on The IIA's strategic initiatives, and helping the Global Board assess progress.

The IIA's 2015–20 Global Strategic Plan established the following Mission and Vision, both of which were validated as still relevant during the 2017 Global Council:

The IIA's Mission (Core Purpose, why The IIA exists):

To lead the global profession and advance its value.

The IIA's Vision (what The IIA aspires to achieve):

Internal audit professionals will be universally recognized as indispensable to effective governance, risk management, and control.

The 2015–20 Global Strategic Plan also set forth five high-level goals:

1. **PROFESSIONALISM:** The IIA will lead the profession through the development of timely and relevant knowledge, global guidance, and career path guidelines.
2. **ADVOCACY:** The IIA will raise the profile of and demand for the profession to ensure it is recognized as an indispensable resource by key stakeholders.
3. **IIA AS LEADER:** The IIA will be recognized as the leading voice for internal auditing.
4. **CAPACITY:** The IIA will collaborate globally to expand the capacity of the profession.
5. **SUSTAINABLE VALUE:** The IIA will deploy both financial and business models that generate value for members.

The IIA's Global Strategic Plan is thoroughly reviewed approximately every three years, which results in revisions or a complete rewrite.

The 2018 Global Council provides an opportunity to discuss major themes that emerged during the regional sessions held in 2017, and collect ideas from participants to help develop strategies for addressing the themes. The resulting ideas, comments and notes will be utilized by the Strategic Planning Executive working group as they draft the 2019–23 Global Strategic Plan.



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



BACKGROUND

The process to improve how The IIA collects insights into the global strategy was reconsidered and the 2017 Global Council in Rome marked the official start of an enhanced global input gathering process. In Rome, delegates provided input on The IIA's core purpose, vision, and core values. The participants indicated the need to better communicate who the Global Strategic Plan is for: the internal audit profession, The IIA Global Headquarters, The IIA and all its Affiliates, or some combination of these. Clarity will therefore be important to align expectations around the next Strategic Plan. Furthermore, delegates were asked which themes not currently being addressed should be considered for the future. The following topics were mentioned: more investments and focus on advocacy, innovation, capacity development, and enhancing conformance with *the International Standards for the Professional Practice of Internal Auditing*. Priorities identified included elevating internal audit as a true profession, better anticipating and preparing for the future, and ensuring the sustainability of The IIA's operating and business models.

Following those discussions, The IIA embarked on a worldwide information gathering effort, by conducting five in-person regional input sessions that each included between 30 and 50 Affiliate leaders. These sessions focused on collecting Affiliates' perspectives on strengths, weaknesses, opportunities, and threats (SWOT) to The IIA and the profession. Those unable to participate in the regional sessions were surveyed separately to capture their input on the SWOT. To contribute their input, The IIA also conducted a SWOT session with The IIA's 10-member Executive Committee.

The 2017 Global Strategic Plan regional input sessions, the Executive Committee session, and SWOT surveys further build on these needs and resulted in three high-level themes:

Theme A: Clearly defining and communicating the role and value proposition for the internal audit profession

Based on feedback collected and ensuing discussions, there is a significant need and opportunity across the global marketplace to clearly define the role of internal auditing, to better understand and respond to stakeholder expectations, and to convey the value the internal audit profession delivers to the organization and the marketplace. Without such clarity, the result is a lack of professional standing for internal audit globally and differentiation for the profession from that of external audit and accounting.

Opportunity:

- Clearly define and communicate to our customers the role of internal audit, what benefits it delivers, and how it adds value.
- Help our Affiliates and members communicate this value focusing on how internal audit differs from other professions, how to address gaps with stakeholder expectations of the CAE, how to establish appropriate reporting relationships, and how to communicate the importance of the profession to audit committee and boards.



- Focus resources on core competencies needed by professionals to be effective internal auditors in a changing environment caused by rapid global business disrupters such as innovative technology.
- Enhance and develop more products and services to address the future needs of internal audit professionals globally.
- Clarify internal audit's role in the second line of defense, including compliance and broadening risk management needs.

Theme B: Effectively aligning, coordinating and supporting advocacy across the global network

Based on feedback collected and ensuing discussions, advocacy messaging and activities lack alignment, clarity, and coordination resulting in mixed messaging, missed opportunities, and duplication of efforts. The IIA advocacy efforts require greater focus on The IIA's strengths and key messages delivered in a coordinated and collaborative manner across global, regional, and local channels.

Opportunity:

- Identify priority target audiences, key influencer organizations, and markets that pose an opportunity to grow and defend the profession's position.
- Collaboratively develop clear and agreed upon priorities to enhance the internal audit value proposition and tools across the global market.
- Develop tools and resources to:
 - Communicate the value proposition of internal audit.
 - Better delineate the differences between external and internal audit.
 - Educate regulators, constituents, and other key stakeholders.
- Develop and implement an action plan to engage the key stakeholders resulting in greater awareness and impact of the profession, the need for and importance of conformance to the *Standards* and achievement of the CIA designation globally, regionally, and locally.
- Develop and implement an action plan to specifically engage young professionals and students.

Theme C: Assess The IIA's global operating model, volunteer structure, and supporting financial model

Based on feedback collected and ensuing discussions, the global network of Affiliates is impacted operationally and financially by economic pressures and changing dynamics of membership. These pressures highlight a potential need to better leverage resources and take a deeper look at The IIA global, regional, and local operating models and supporting financial model, which provide the appropriate structure and means for delivering service to members. Specifically, the current model and volunteer structure, based on a one-size-fits-all, pre-internet world, may no longer effectively execute global strategies and leverage infrastructures and technology to efficiently deliver services consistently across the world.



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



Opportunity:

- Assess The IIA global operating model, volunteer structure, and supporting financial model to ensure greater global, regional, and local connectivity resulting in more nimble, effective, and aligned efforts to serve members and advance the value of the profession worldwide.
- Evolve the regional hub model to support dissemination of the value proposition, advocacy efforts, professional competency development, and Affiliate capacity-building across the global network.
- Identify and implement technology-enabled solutions to engage members globally and support more consistent service delivery across the global social network.
- Evolve the global membership model to provide mobility and consistent service delivery to members and prospects regardless of geographic boundaries.
- Define and develop an appropriate translation strategy and tactics to support a global membership base.

Global Council discussions in Panama will seek feedback on the key elements of these themes, and identify ideas pertaining to potential strategic goals and objectives. These will be considered when drafting the 2019–23 IIA Global Strategic Plan that will be presented to the Global Board for approval in May 2018.

ADVANCE POLLING QUESTIONS (To be completed by each Affiliate between 2–19 January)

1. Please rate the level of importance of each theme below in regards to supporting the achievement of The IIA Vision: Internal audit professionals will be universally recognized as indispensable to effective governance, risk management, and control.

Themes	Not important	Slightly Important	Fairly Important	Important	Very Important
Theme A: Clearly defining and communicating the role and value proposition for the internal audit profession.					
Theme B: Effectively aligning, coordinating and supporting advocacy across the global network.					
Theme C: Assess The IIA's global operating model, volunteer structure, and supporting financial model.					



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



2. Please rate your level of agreement to the following statements.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
There is a consistent understanding among key stakeholders of the role of the internal audit profession and value delivered.					
There is a need to clearly define and communicate the value proposition for the internal audit profession globally to its stakeholders.					
The Three Lines of Defense model needs to be updated given the changes in the profession and business environment since its launch in 2013.					
There is consistent and appropriate alignment and coordination of advocacy efforts globally, regionally, and locally.					
There is a need for prioritizing advocacy targets to better align efforts globally.					
The IIA should deepen its focus on engaging audit committees and boards as a key target.					
The IIA should broaden its focus to include professionals serving in the second line of defense as a key target.					
The IIA should broaden its focus on regulators and legislators as a key target.					
The IIA is optimally structured and organized to serve its members and the profession globally.					
There is a need to assess how The IIA supports and serves its members globally through its global operating model, volunteer structure and supporting financial model.					



DISCUSSION QUESTIONS (To be discussed during the Breakout Discussion Sessions at Global Council)

- 1. Theme A: Clearly defining and communicating the role and value proposition of the internal audit profession**
 - What value does the internal audit profession bring and how can we create and communicate a strong and clear value proposition of the internal audit profession that addresses stakeholder expectations globally?
 - How could The IIA better address the professional, competency development needs of members and practitioners globally?
 - How is the three lines of defense model perceived in your market? How could it be enhanced? What role should internal audit fulfill in the Second Line of Defense?
- 2. Theme B: Effectively aligning, coordinating and supporting advocacy efforts across the global network**
 - How could we better coordinate advocacy efforts globally, regionally, and locally?
 - What is needed to better support advocacy efforts globally, regionally, and locally?
 - How could The IIA better address the needs of audit committees, boards, and other key stakeholders?
- 3. Theme C: Assess The IIA's global operating model, volunteer structure, and supporting financial model**
 - What aspects of the current operating model and supporting financial model should be maintained or changed to increase our influence as a global organization and profession?
 - What services/activities/resources should be more centralized/regionalized to better serve our members?
 - How could we provide greater mobility and more consistent service delivery to our members across the global network?
 - How can we enhance and better leverage The IIA's volunteer recruitment process and structure?



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



Background Paper: Conformance with the *Standards*

INTRODUCTION

Currently, one of the most significant strategic risks facing the internal audit profession is that the insufficient rate of recognition of/conformance with the global *Standards* (IPPF) will undermine the perceived stature of the profession globally. The impact to the profession is primarily credibility risk, which may mean:

- It can be difficult to maintain our global identity and strength without being able to show strong conformance to the *Standards*.
- Regulators may not recognize the *Standards* without stronger indications of conformance.
- Others may not recognize our *Standards* if there is no way of enforcing them.
- Regulators may choose to license the profession if they do not perceive we can police ourselves effectively.
- Competing organizations may use this as a reason why they are the only ones who should be qualified to deliver internal audit services.

Stated differently, our *Standards* are what defines internal audit as a profession and as a trusted partner in good governance. Without conformance to our *Standards*, the profession can falter in terms of recognition, relevance and visibility.

BACKGROUND: RECENT CONFORMANCE INITIATIVES

2015: Common Body of Knowledge (CBOK)

The 2015 CBOK survey provided valuable data points related to the issue of conformance with the *Standards*. Some of the key findings that validated and/or supported this issue include:

1. Those organizations more likely to use the *Standards* are those with an audit committee, as well as those that have CAEs who are IIA members or hold an IIA certification.
2. Use of the *Standards* varies based on geographic location and industry.
3. The *Standards* that have the lowest reported conformance are the 1300 series (Quality).

The main factors impacting the rate of conformance with the *Standards* include size of audit department, perceptions about the benefits as compared to cost, the presence of rotational CAEs from other professions, and lack of support or demand by senior management and the board. While the Core Principles require support from the board and senior management, adoption of all *Standards* is positively influenced by the CAE. There is also an increased need for recognition of the profession and more effective communication and education of key stakeholders and the public.

2016: Global Council (New York City, New York)

During the 2016 Global Council, attendees discussed whether the *Standards* should be aspirational versus a minimum requirement. The overall consensus among participants is the *Standards* should be a minimum requirement to ensure internal auditors around the world have the same perspective and foundation. (See 2016 Global Council report for more information.)



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



Following Global Council, the Executive Committee (EC) and Global Board held strategic discussions regarding conformance. They debated questions including:

1. What are some specific strategies The IIA can consider to promote increased conformance?
2. How can The IIA specifically address the low conformance with the 1300 series?
3. How can The IIA help address perceived barriers to conformance?

These discussions led to agreement that the current level of conformance to the *Standards* is unacceptable and presents a key strategic risk to the internal audit profession. Therefore, a subcommittee of the Professional Responsibility and Ethics Committee (PREC) was tasked with developing recommendations to address this topic.

2017: Conformance Discussion Paper

The PREC subcommittee considered the work of previous groups and individuals within The IIA, including past papers, CBOK research, Global Council input, and the views expressed by the EC and the Global Board. The subcommittee added their input and insights and produced a discussion paper that included proposals for defining conformance (who, what, how), guiding principles, and phases of recommendations (short, medium, long term) for consideration. However, PREC also identified strategic and philosophical questions that must be discussed before the recommendations could be further vetted by various committees such as:

- What do we mean by *conformance*?
- Is a “conform and explain” model a feasible approach?

Guiding Principles

It was also agreed that to manage conformance challenges, The IIA needs a comprehensive approach that must include multiple, interdependent principles:

1. Recognition is a key goal. Therefore, supporting and funding advocacy resources and efforts is critical.
2. Conformance will include the *Standards*, Code of Ethics, and alignment with the Core Principles.
3. Rigor and consistency will be key to enhancing the value of quality assessments.
4. The IIA will consider adopting a maturity-based approach to enhancing conformance. Conformance efforts will focus on defining, supporting, and uniformly measuring internal audit activities. This will require building an infrastructure to support a continuum of conformance — from baseline through high performance — with *conformance* as the minimum standard and *performance* as the highest level.
5. Conformance reporting will allow for a “conform and explain” model.



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



2017: International Committee Meetings (Sydney, Australia)

By Sydney, three international committees were involved and aligned to address conformance:

- International Internal Audit Standards Board (IIASB)
- Professional Responsibility and Ethics Committee (PREC)
- Global Advocacy Committee (GAC)

Together they discussed actions including:

Position Papers	Developing position papers on the topics of Why Conformance Matters and What to Expect From Your Internal Audit Function (<i>Understanding the Core Principles</i>)
Implementation Guidance (IG)	Determining an appropriate approach to address risks to non-conformance or risks to not implementing the <i>Standards</i> . This may include adding a specific Implementation Guide (IG) or a section to all IGs related to the risks of nonconformance. (IGs currently include categories of: <i>Getting Started</i> , <i>Considerations for Implementation</i> , and <i>Considerations for Demonstrating Conformance</i>)
Supplemental Guidance	Expanding IGs to include the Code of Ethics (4 IGs) Revising the Quality Assurance and Improvement Program (QAIP) Practice Guide with inclusion of a maturity model approach to conforming with the <i>Standards</i> .

The information above provides the background leading to a discussion of Affiliate leaders at 2018 Global Council to gather input on two conformance concepts: maturity model approach and a conform-and-explain model approach. It is important to note that all internal audit activities are expected to conform with the *Standards*. However, on the journey to conformance, the internal audit activity (IAA) would have the ability to assess where it stands in terms of maturity prior to addressing how it conforms within its available means and resources. If an IAA is unable to conform with a specific standard and is making progress toward conformance, the IAA would have the option to describe the specific reason, whether a limitation, barrier, or constraint, that precludes conformance. It should be noted that this should occur only under rare and exceptional circumstances.

Maturity Model Approach

Developing a maturity-based approach to enhancing conformance is one of the proposed Guiding Principles. Standards conformance will remain mandatory, and a minimal requirement. Therefore, **while a maturity model does not mean that the *Standards* are optional, it would provide a model that could embrace an internal audit activity where conformance is a continuous journey and evolution.**



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



As an example, for each *Standard*, additional guidance and training would be developed to describe ways to conform in a smaller or a less mature IAA. In these scenarios, there would be guidance and training to describe variations in approaches to conformance (for example a self-assessment versus a QAR). This approach would therefore, remove the size of the IAA as an obstacle to conformance. A maturity model approach would enable more detail related to the option available to meet or exceed conformance requirements, regardless of the size of the IAA. This model also allows for recognition of an IAA's going above or beyond conformance; enabling a continuous journey to enhanced conformance.

In addition, a maturity model approach would include a uniform five-point measurement model encompassing guidance, training, and quality services. Level 3 would indicate conformance with the standard, whereas a level 5 would indicate high performance. As an example, the requirement is that an IAA should be at level 3 (conformance) for all standards at all times. However, at certain times, an IAA may not be rated a 3 for *all* standards, which is part of the journey toward enhanced conformance. Stated differently, a level 2 would indicate a need for further development and improvement is needed for conformance with a specific standard. However, if the IAA is more mature with established processes, we would expect not only conformance with all standards, but also movement from conformance toward high performance.

Currently there are various maturity models available and implemented by various Affiliates and sources. These maturity models sometimes refer to the maturity of the IAA versus specific conformance with the *Standards*.

Examples include:

- Initial, Infrastructure, Integrated, Managed, Optimized
- Beginning, Developing, Conforming, Leading, Transforming
- Naïve, Aware, Defined, Managed, Enabled

Conform and Explain

Another proposed Guiding Principle to enhance conformance considers adopting a “conform and explain” model. Standards conformance will remain mandatory, and a minimal requirement; however, if an internal audit activity (IAA) does not fully conform, a ‘conform and explain’ could be used. This model would allow for an IAA to identify the Standards they are not in conformance with and explain either:

- A. How they are making efforts to move toward conformance as well as how they are mitigating the associated risks of not being in conformance or
- B. An explanation of why a Standard is not applicable and why it is not possible for the IAA to comply.

Stated differently, can we maintain our credibility as a trusted partner in good governance if we allow exceptions to conformance?

In addition, a parallel discussion for conformance is whether The IIA needs to revisit the consequences of not being in conformance? Currently, The IIA requests an attestation regarding conformance (but not requiring conformance) by individuals who are certified. Therefore, The IIA does not currently have enforcement mechanisms to demonstrate to stakeholders that certain behaviors are unacceptable for the internal audit profession. One consideration is to have exploratory discussions regarding enforcement in relation to membership models as the new strategic plan is being formulated.



GLOBAL COUNCIL 2018

4-7 FEBRUARY / PANAMA CITY, PANAMA



ADVANCE POLLING QUESTIONS (To be completed by each Affiliate between 2–19 January)

1. What percentage of your advocacy efforts are focused on promoting the value of **conformance**?
 - A. 0%
 - B. 1–25%
 - C. 26%–50%
 - D. Greater than 51%
2. Do your advocacy efforts include promoting the value of conformance with **your members**?
 - A. Yes
 - B. Somewhat
 - C. No
3. Do your advocacy efforts include promoting the value of conformance with **the C-suite (i.e., CEO, CFO)?**
 - A. Yes
 - B. Somewhat
 - C. No
4. Do your advocacy efforts include promoting the value of conformance with **external stakeholders such as audit committee members**?
 - A. Yes
 - B. Somewhat
 - C. No
5. Is “conform and explain” a concept that is understood in your local market (even if related to a different field)?
 - A. Yes
 - B. Somewhat
 - C. No
6. If a “conform and explain” model was in place, what do you believe would be the impact on conformance rates in your local market?
 - A. Conformance rates would significantly improve.
 - B. Conformance rates would stay the same.
 - C. Conformance rates would decrease.
 - D. I am unsure / do not know what the impact would be on conformance.



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



DISCUSSION QUESTIONS (To be discussed during the Breakout Discussion Sessions at Global Council)

1. What does your Affiliate do to create **external** demand (from stakeholders) for conformance?
2. What percentage of your advocacy efforts specific to conformance are related to internal (CAE) vs. external stakeholders (Audit Committee Chair)?
3. Are your advocacy efforts to promote the value of conformance successful?
 - a. If yes, what has worked best?
 - b. If not, why not?
4. What do you see as the main opportunities and challenges with a maturity model approach?
5. Should “conform and explain” be interpreted as:
 - a. How an IAA is making efforts to move toward conformance and mitigating the associated risks of not being in conformance? or
 - b. An explanation of why a *Standard* is not applicable and why it is not possible for the IAA to comply?
 - c. Both
6. Do you believe a “conform and explain” model would help or hinder conformance rates? Why?
7. What do you see as the main opportunities and challenges with a “conform and explain” approach?



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



Background Paper: Global Certifications

INTRODUCTION

The IIA's mission is to provide dynamic leadership for the global profession of internal auditing. Key activities that support this mission include providing comprehensive professional education and development opportunities, standards, and other professional practice guidance, and certification programs.

With respect to The IIA's certifications programs, the Professional Certifications Board (PCB) has established the following vision for 2021:

A clearly defined suite of global certifications that support internal auditors as they progress through their careers.

To achieve this vision, the PCB has defined the following two-phased certification strategy:

- Phase 1 (2018–20) – Better position the specialty certifications (CGAP, CFSA, CCSA, CRMA, CPEA, and CPSA)
- Phase 2 (2019–21) – Realign the core certification/designation/qualification programs (CIA, IAP, and QIAL)

BACKGROUND

The IIA currently offers seven certifications and one qualification (QIAL). The suite of certification / qualification programs comprise 15 varieties/specialties and case studies, and spans 19 languages.

	Year	Exams	Languages
Certified Internal Auditor (CIA)	1974	CIA Part 1 + 2 + 3	18*
Certification in Control Self-Assessment (CCSA)	2000	CCSA	6
Certified Government Auditing Professional (CGAP)	2000	CGAP – US CGAP – International	6
Certified Financial Services Auditor (CFSA)	2002	CFSA – Banking, Insurance, and Securities	7
Certified Professional Environmental Auditor (CPEA)	2001 2003 2004 2005	CPEA – Environmental Compliance CPEA – Health & Safety CPEA – Management System CPEA – Responsible Care	English only
Certification in Risk Management Assurance (CRMA)	2012	CIA Part 1 + CRMA	English only
Certified Process Safety Auditor (CPSA)	2014	CPSA – Process Safety	English only
Qualification in Internal Audit Leadership (QIAL)	2014	Case Study 1 + 2 + 3 (+ presentation + interview)	English only

* CGAP is offered in Estonian, although CIA is not.

* Internal Audit Practitioner (IAP) was launched in 2015. It requires CIA passage of Part 1 of the CIA, via an application.



GLOBAL COUNCIL 2018

4-7 FEBRUARY / PANAMA CITY, PANAMA



Each program presents unique opportunities and challenges. The certifications suite as a whole faces multiple challenges, such as sustainability, exam validity, differentials in pass rates across the world, exam security, content overlap, and marketplace confusion. Since May 2016, PCB, Exam Development Committee (EDC), and staff have been exploring these issues, collecting feedback, and conducting analyses with a goal of ensuring that The IIA's certifications are current, relevant, sustainable, and valid.

The PCB and EDC identified a number of issues related to this goal, such as:

- There has been swift expansion of the certification portfolio within the last five years, including the addition of the CRMA, QIAL, and IAP programs, and acquisition of the CPEA and CPSA programs.
- For The IIA to support the current complex suite of certification programs, there is a trade-off in exam quality and validity, and “business as usual” may lead to potential reputational risks.
- There are insufficient resources available to support the maintenance of all certification programs through periodic market studies and job analysis studies, as well as to develop and translate exam questions needed to keep the various certifications supplied with fresh content.
- The body of knowledge for professional internal auditing (e.g., IPPF, internal audit textbooks, and related resources) and exam preparation materials are not made available to candidates in all 19 languages in which IIA certification exams are offered.
- Changes from governments and regulatory bodies impact the relevance of industry-specific certifications, especially CFSA and CGAP.
- There are vast differences in internal audit practices and maturity around the world.
- Feedback from IIA Affiliates revealed that the large number of certifications creates marketplace confusion and drains the scarce resources our Affiliates have to promote and support the certifications.

Recognizing that Global Council offers a unique opportunity to hear from the collective voice of the global internal audit profession, the PCB plans to solicit input regarding the current certifications suite, with a focus on the four specialty global certifications: CGAP, CFSA, CCSA, and CRMA in 2018. Affiliate leaders are asked to review the following information before responding to the advance polling survey and to prepare for providing input to the discussions questions, also listed below, at Global Council.



GLOBAL COUNCIL 2018

4-7 FEBRUARY / PANAMA CITY, PANAMA



I. Number of certified individuals

The table below illustrates the total number (all-time) of individuals who received the CGAP, CFSA, CCSA, or CRMA since the programs launched, and the number of currently active individuals.

	Number of certified individuals						% who also hold CIA*	
	North America (NA)			Outside North America (ONA)			NA	ONA
	All time	Active only	% of Active vs. All time	All time	Active only	% of Active vs. All time		
CGAP	2,527	1,676	66%	2,570	1,643	64%	50%	27%
CFSA	4,389	1,764	40%	2,417	1,101	46%	35%	56%
CCSA	1,892	1,029	54%	5,452	2,601	48%	66%	75%
CRMA	6,056	4,964	82%	8,929	4,860	54%	64%	59%

* There are 148,069 all-time CIA holders; among those 60,700 are active.

II. Number of exams delivered globally from 2015 to 2017

The table below illustrates the global demand for the CGAP, CFSA, CCSA, and CRMA programs over the past three years. In terms of the number of exams delivered each year, each specialty program represents only about 0.7% to 1.2% of the CIA exam's annual delivery. Information regarding the expected future growth of these programs and the availability of training to help candidates prepare for the exams was gathered from recent annual activity reports from Affiliates.

	Exams Delivered			2016-17 Affiliate Report	
	2015	2016	2017 (Forecast)	% of Affiliates expecting future growth in the certification*	% of Affiliates providing exam preparation training for the exam*
CGAP	731	798	533	26%	16%
CFSA	411	392	407	25%	8%
CCSA	648	514	403	22%	24%
CRMA	601	595	616	39%	12%

*In comparison, 73% of Affiliates expect future growth in the CIA, and 73% provide training for the CIA.



III. An alternative model for CGAP and CFSA

Increasingly, organizations are developing and launching assessment-based certificates (ABCs) in addition to, or as an alternative to, certifications and qualifications. An example would be the Association of Chartered Certified Accountants' (ACCA) Certificate in Financial and Management Accounting. An ABC includes the following:

- 1) A formal curriculum comprising both global content and local customization.
- 2) A course of instruction based on the curriculum offered by The IIA or Affiliates.
- 3) A test to assess participants' achievement, set by the curriculum.
- 4) A certificate awarded only to those who pass the examination/test.

A key difference between an ABC and a certification:

- ABC indicates mastery of learning outcomes through training; training is mandatory.
- Certification indicates professional competency; training is optional.

An ABC model is being discussed for some of The IIA's specialty programs, such as the CGAP and CFSA. (See Question 3 under Discussion Questions).

IV. Consideration for CRMA

The CIA exam covers the topic of risk management. The CRMA was introduced in 2012 to allow individuals to demonstrate expertise in risk management assurance. Discussions are underway about how to differentiate the CRMA from the CIA in terms of breadth and depth of risk management coverage. (See Question 4 under Discussion Questions).

V. Consideration for CCSA

The current CCSA exam is based on its original exam syllabus, issued in 2000. Over time, control self-assessment has become less relevant to today's practice of internal auditing. Additionally, because internal auditors should not own control self-assessment, internal controls are a subset of risk management, and CCSA exam content overlaps with CIA and CRMA, the PCB and EDC are discussing the possibility of integrating CCSA into CRMA through the next CRMA job analysis study. (See Question 5 under Discussion Questions).



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



ADVANCE POLLING QUESTIONS (To be completed by each Affiliate between 2–19 January)

1. What value do The IIA's certifications bring to the internal audit profession? Choose up to three responses.

- ☐ Career advancement/promotion
- ☐ Continuing education
- ☐ Demonstrating commitment to professional success
- ☐ Increasing earning potential
- ☐ Gaining credibility and respect in the field
- ☐ New/better career opportunities
- ☐ Professional development
- ☐ Professional recognition and satisfaction
- ☐ Validating candidates' knowledge and skills
- ☐ Other, please describe: _____

2. How do you see the overall value the CGAP, CFSA, CCSA, and CRMA certifications bring to the internal audit profession in your country or territory? (Choose one category for each certification)

Certification	High Value	Medium Value	Low Value	No Value	We don't offer it in our country.
CGAP					
CFSA					
CCSA					
CRMA					

3. What is the level of recognition of the CGAP, CFSA, CCSA, and CRMA certifications in your country or territory? (Choose one category for each certification)

Certification	High Recognition	Medium Recognition	Low Recognition	No Recognition	We don't offer it in our country.
CGAP					
CFSA					
CCSA					
CRMA					

4. Is the **CGAP** certification required for internal auditors in your country or territory?

- ☐ Yes, in all sectors/industries
- ☐ Yes, in government and public sector only
- ☐ No, I am not aware of any



GLOBAL COUNCIL 2018

4-7 FEBRUARY / PANAMA CITY, PANAMA



5. Does the current CGAP exam cover adequate knowledge and skills specific to internal auditors in government and public sector in your country or territory?
 - ☐ Yes
 - ☐ No
 - ☐ Not sure
 - ☐ No, I don't know
6. Unlike the 3-part CIA, the CGAP certification requires passing only a one-part exam, focused on industry-specific knowledge and skills. Are internal auditors who hold the CGAP designation equally qualified to those who hold the CIA?
 - ☐ Yes
 - ☐ No
 - ☐ Not sure
7. Should the 3-part CIA exam or the first two parts of the 3-part CIA exam be required as a prerequisite for the CGAP?
 - ☐ Yes
 - ☐ No
 - ☐ Not sure
8. Is the CFSA certification required for internal auditors in your country or territory?
 - ☐ Yes, in all sectors/industries
 - ☐ Yes, in financial services industry only
 - ☐ No, I don't know
9. Unlike the 3-part CIA, the CFSA certification requires passing only a one-part exam, focused on industry-specific knowledge and skills. Are internal auditors who hold the CFSA designation equally qualified to those who hold the CIA?
 - ☐ Yes
 - ☐ No
 - ☐ Not sure
10. Does the current CFSA exam cover adequate knowledge and skills specific to internal auditors in financial services industry in your country or territory?
 - ☐ Yes
 - ☐ No
 - ☐ Not sure



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



11. Should the 3-part CIA exam or the first two parts of the 3-part CIA exam be required as a prerequisite for the CFSA?
- ☐ Yes
 - ☐ No
 - ☐ Not sure
12. Who should be the primary target for the CRMA? (Check all that apply)
- ☐ Internal auditors
 - ☐ Risk management, compliance professionals and others who work as the Second Line of Defense
 - ☐ Both
 - ☐ Others, please specify: _____

DISCUSSION QUESTIONS (To be discussed during the Breakout Discussion Sessions at Global Council)

1. The IIA advocates the value for organizations and stakeholders to employ certified individuals who possess knowledge and skills to do internal audit work in various industries. What is the value of holding a certification/qualification in your country or territory?
2. Why has the global demand for CGAP, CFSA, CCSA, and CRMA been so weak? Is it because of the programs' contents? Is there anything we can do to make the specialties more attractive?
3. Would repositioning the current CGAP and CFSA certifications to assessment-based certificates with local customization be more appealing to internal auditors in your country or territory? Yes/No, and why? (See the background information 3 above)
4. Considering that the CIA already covers risk management, how should the CRMA be differentiated from the CIA? What can be changed to make the CRMA more attractive to internal auditors in your country or territory? (See the background information 4 above)
5. Based on your knowledge of the market demand and appeal of the CCSA and CRMA in your country or territory, what could be the potential impact of integrating the CCSA into the CRMA? (See the background information 5 above)



BACKGROUND PAPER: IIA GLOBAL GOVERNANCE CHANGES AND THE FUTURE OF GLOBAL COUNCIL

INTRODUCTION

In May 2018, IIA members will vote on broad changes to The IIA's governing structure. The highlights of the proposed governance structure are to:

1. Reduce the Global Board of Directors from 38 to 17 members and expand its responsibilities; and permit a limited number of non-CIAs and non-IIA members on the Board
2. Eliminate the Executive Committee.
3. Establish a small Supervisory Committee with limited responsibilities
4. Rename Global Council to Global Assembly and expand its responsibilities

The changes, if approved, will significantly impact the importance of Global Council beginning in 2020, when it would be renamed Global Assembly.

BACKGROUND

Global Council is designed to provide a forum for representatives from all Affiliates to discuss strategic issues of The IIA and the profession and provide input on topics of current interest. While the outcomes of these discussions are provided to the Global Board and international committees to assist them in advancing IIA initiatives, Global Council is a once-a-year event with limited impact on the ongoing strategies of The IIA.

Re-engineering Global Council to the proposed Global Assembly is intended to give the General Assembly a more formal role in the strategic direction of The IIA, increasing its impact and accountabilities. This change is expected to better provide the new, smaller Global Board with the information necessary to carry out its governance responsibilities and advance the profession.

The responsibilities of the Global Council currently outlined in The IIA's Board Policy Manual are:

1. Provide input and feedback to The IIA Global Board of Directors and committees on strategic issues and trends impacting the profession.
2. Initiate discussion on topics of concern of members of the Global Council that will result in recommendations for consideration by The IIA Global Board of Directors, global committees, and/or IIA staff.
3. Serve as a sounding board for new concepts, proposals, and other ideas under consideration by The IIA Board of Directors, Executive Committee, global committees, and IIA staff.
4. Share leading practices and enable benchmarking among Affiliates. Where practicable, provide guidance through breakout sessions, electronic voting, or surveys.
5. Report back to Affiliate boards and membership on key global issues and leading practices that emerged from the Global Council meetings. Ensure global platforms/frameworks/guidance are known and implemented in Affiliates.



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



The extent to which Global Council has been able to fulfill these responsibilities, and what could be done to enhance this when (and if) it becomes the Global Assembly in 2020, will be the subject of discussions over the next year. The Governance Task Force (GTF) outlined initial expectations for the Global Assembly to enable the long-term success of the revised governance structure. Input from Affiliates and Associated Organizations is now being sought to help identify the key changes necessary to achieve the GTF vision for the future Global Assembly, if that is the result of the vote.

COMPOSITION

The GTF believes it is important that every Affiliate have a voice in shaping the strategic initiatives of The IIA. These representatives would be responsible for reporting back to their Affiliate boards and members on key global issues and leading practices that are discussed. This will help ensure global platforms, frameworks, and guidance are known and implemented in their Affiliates.

Currently, the Executive Committee attends Global Council, but few additional members of the Board are in attendance. By scheduling a Global Board meeting before and/or after Global Assembly, the entire Global Board would then be engaged in Global Assembly discussions, helping to better inform them of the strategic and operational implications of current and potential initiatives.

FREQUENCY

Affiliate and Associated Organization representatives currently come together for the Global Council every year for a two-day face-to-face event. While these meetings have generated valuable information and enhanced global networking, there are questions about whether the outcomes from this annual event fulfill the five responsibilities outlined above. The GTF believes there may be benefits to a Global Assembly that remains engaged throughout the year, which will better inform the Global Board of the impact of proposed strategies on the global membership and provide input on key initiatives. Ideas being explored to increase the frequency of Affiliates' engagement are scheduling additional touch points during the year, in the form of Global Assembly teleconference meetings, regional sub-meetings, and/or online forums and surveys.

STRUCTURE

Participation in the Global Assembly will be an obligation of every Affiliate. Where possible, each Affiliate should send a top elected official as well as a paid staff member to ensure both perspectives can be articulated as part of that Affiliate's voice. Where practical, it may be helpful for an Affiliate's representative to participate in Global Assembly for more than one year to enhance continuity.



GLOBAL COUNCIL 2018

4-7 FEBRUARY / PANAMA CITY, PANAMA



Associated Organizations could also participate, along with the Global Board, to ensure all are appropriately informed of the ideas and outcomes from a Global Assembly meeting. The chair of the Board would preside over the Global Assembly meetings. The annual in-person event would likely include both general sessions and breakout discussions. That event, as well as the interim touchpoints, may include online forums or surveys to solicit feedback from Affiliate representatives, as well as updates from the Global Board or IIA staff to ensure Affiliate representatives are informed on the progress of initiatives and emerging strategic issues.

ADVANCE POLLING QUESTIONS (To be completed by each Affiliate between 2–19 January)

1. Please rate your level of agreement with the following statements.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Global Assembly should be an integral element in IIA governance, providing the Global Board with input and endorsements related to strategy and key programs.					
Each Affiliate (institute or country) should have a voice in Global Assembly.					
It is valuable to have the Global Board participate in Global Assembly.					
Global Assembly should have interim touch-points in addition to the face-to face event, via teleconferences, regional meetings, or polling questions, to ensure connectivity to the Global Board initiatives, provide input to pending issues, and receive Board updates.					
For continuity, the Affiliates should strive to have designated representatives serve for more than one year.					



GLOBAL COUNCIL 2018

4 - 7 FEBRUARY / PANAMA CITY, PANAMA



2. It is important for Global Assembly and individual Affiliates to have a voice on:

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
The strategic plan and strategic goals					
The IPPF					
Changes to or new certifications					
Key advocacy platform messages					
Global training initiatives					
Global research projects and products					
Emerging issues					