

Friday 15 September 2023

**Roberto A. Rosas**  
**Director, Global Advocacy, Policy, and Government Affairs**  
**The Institute of Internal Auditors**  
Submitted via email to: [advocacy@theiia.org](mailto:advocacy@theiia.org)

Dear Roberto,

### **Draft IIA Public Policy Position Paper: Consultation Response**

The Chartered Institute of Internal Auditors (Chartered IIA) welcomes the opportunity to contribute our views to the Global IIA's consultation on its Public Policy Position Paper on a Legal, Regulatory and Policy Framework for the Internal Audit Profession.

We support the idea of having a framework, with clear arguments in support of the profession that can be used globally to ensure all Affiliates are using the same or similar messages. A list of key points and arguments is very useful.

We have collated several comments, as well as marked up the document you shared, in the hope that this may be helpful.

### **Overarching comments**

1. Our first comment is that this paper is far too long. Regardless of who this is aimed at, it is a long read. Policymakers certainly wouldn't make the time to read it and Affiliates looking for help may be overwhelmed by its length.
2. The paper seems to be aimed at both Affiliates and policymakers. As previously discussed in Amsterdam, we believe these two audiences would be better served by their own versions of the paper, or that it might just be better to have a document aimed at helping Affiliates create the wording and arguments that best fit with their own political environment.
3. A more flexible 'Public Policy Advocacy/Campaign Toolkit' with key messages to use with policymakers, and perhaps some model text for inclusion in Corporate Governance Codes, or to amend existing company reporting requirements might be more appropriate.
4. We appreciate that approaches to engaging with the Government in the USA are very different to what will be effective in the UK. We understand parts of Europe are like the UK, but even there, differences exist. Across the globe, there will be very different approaches, with some messages being easier to communicate than others, which makes a one-size-fits-all approach less likely to be effective.
5. Starting with a purpose statement and key facts about the global family of the IIA is impactful, as this makes clear the scale and reach of the IIA and Affiliates and the standards. The basic intro to what internal audit is and how it helps organisations is an important part of the document.
6. The self-regulation argument is a tricky one and the argument needs to be carefully framed. On the one hand, we are asking to be recognised by Governments, on the other we don't want them to get involved in what we do. This may be difficult to square.
7. You might want to consider your capacity to "provide legal, political, technical, and other forms of support in coordination with the affiliate". That could be very time-consuming and labour-intensive.
8. On page 6, where the 3LM is introduced, we wonder if it might be a stronger argument to say what it is and to start that it is used around the world as an essential reference model. By saying that the IIA believes it is essential suggests that this is not universally accepted. Now, of course, this may be the case, but perhaps it is a stronger starting position to imply, that it is very widely accepted and not just a model the IIA uses.



9. On page 8 where it talks about the relationship between the Internal Audit Function and First- and Second-Line Function (Risk Management, Internal Control, and Compliance Teams), we would prefer it if this section could be more explicit that it is best practice for Third and Second-Line Functions to be separate. In fact, in the UK this is a regulatory requirement for regulated financial services companies.
10. The length of the section on self-regulation comes across, because of its length and tone, as self-serving. Policymakers in some countries will see through this. For example, it certainly wouldn't be an approach that would be effective in the UK. Perhaps a more effective way to approach it would be to talk about the existence of the global standards and the existence of the Global IIA as a monitoring body. It's not that regulation isn't required; it already exists and therefore doesn't need to be replicated.
11. The second paragraph under section 1. of page 11 might convince some policymakers that internal auditors should be regulated like doctors, lawyers and the like.
12. It might be wise to refrain from saying things like "The IIA recommends . . ." or "The IIA believes . . ." or "The IIA supports the passage of laws, regulations . . .". Some policymakers in some countries may interpret this as the USA trying to tell them what to do and consequently take a negative view. Pages 16/17 are specific areas where this approach comes across potentially too strongly. Perhaps it might be a useful exercise for you to read these sections as if it was an organisation, in say Japan, was writing this to the US Government, to be able to get a feel of how it might be perceived by others.
13. Also on page 17, the use of the word "should" can be problematic. We know, for example, in Domain III of the new Standards this word caused considerable concern amongst Affiliates as it read like internal auditors were telling audit committees what they must do. This reads like the IIA (commonly seen as a North American institution) is telling governments around the world what they should do.
14. The protections piece which starts on page 22 picks up the same issue. Perhaps rather than stating what should happen there should be more of an explanation about the benefits of ensuring safe working environments. There is a risk that this comes across as trying to stamp the USA view of what is right and what is wrong, on the rest of the world. [We happen to agree with you, but we need to take people with us, not tell them what to do.]
15. As also touched upon, you might want to take particular care with examples you use to ensure we are not stereotyping countries, e.g. paragraph 2 on page 28.
16. A lot of what is in the appendix is a repeat of what is in the body of the document and so can be removed.
17. The checklist of questions for Affiliates is asking a lot. Most affiliates would not be able to answer many of these questions.
18. Finally, we need to make sure that the Position Paper is consistent with and reflects the new global standards. At present, the Position Paper reflects the previous version of the IPPF, global standards and Code of Ethics, which have all now been consolidated into one.

The Chartered IIA would be very happy to discuss any of this with you or look at any amendments you might decide to make, or further drafts you may wish to share.

Yours sincerely,

**Anne Kiem OBE**  
Chief Executive

## **Responses to Consultation Questions**

**1. Do you feel that the Position Paper appropriately explains the concept of “internal audit”? If you were to share this paper with policymakers (and their staff) in your country, who may only have a rudimentary familiarity with the profession, do you feel that this section provides a sufficient foundational explanation? If not, how would you change this section?**

The position paper does explain the concept of internal audit. However, it is written in quite technical language that may not necessarily be most effective at engaging policymakers about the important role of internal audit as a critical component of good corporate governance. In the context of a policymaker audience (as opposed to an Affiliate audience), it might be helpful to highlight the role and value of internal audit in more general terms around promoting greater accountability, transparency, effective risk management and good corporate governance across all sectors of the economy. As well as the role internal audit plays in protecting jobs, investments, and growth. This type of language and messaging is more likely to resonate with policymakers if they can see the benefit to wider society and how internal audit serves the public interest. Making the language as plain-speaking, clear, and accessible as possible would be advantageous to engaging this audience.

The Chartered IIA has recently published a [Parliamentary Briefing called an “introduction to internal audit”](#) for UK legislators and policymakers. We are happy for you to use any aspect of this briefing as part of the Position Paper.

**2. Do you agree with the six key components of a successful internal audit function as explained in the Position Paper? Should anything be added or deleted? Should any of these elements be explained differently? If so, how?**

We agree with the six key components of a successful internal audit function as set out in the Policy Position Paper. Although we have suggested some tweaks to the wording in the attached document with consolidated tracked changes and comments. However, one additional characteristic that you may wish to consider would be on internal audit’s scope:

- **Internal audit’s scope should be unrestricted:** there should be no aspect of the organisation which internal audit should be restricted from looking at as it delivers on its mandate. Internal audit should have unrestricted access to all areas and information of the company.

**3. Do you agree with the section on outsourcing and co-sourcing internal audit functions? If not, please share your views.**

By and large, we agree with the section on outsourcing and co-sourcing internal audit functions. Although we have suggested some tweaks to the wording in the attached document with consolidated tracked changes. We strongly support the inclusion in this section that: *“the IIA recommends, at a minimum, that the CAE or equivalent leader of the internal function remain an employee of the organization to ensure proper and critical integration and alignment with the operations and strategy implementation of the entity.”* This reflects recommendation 21 of our [Internal Audit Codes of Practice](#) that the chief internal auditor should always be employed directly by the organisation to ensure they have sufficient and timely access to key management information and decisions. You may wish to also include this reason in the Position Paper.

**4. The Position Paper outlines six characteristics that The IIA argues are essential in defining a profession. Do you agree with these characteristics? What should be added or deleted?**

We do agree with the six characteristics that have been outlined. However, in the attached document with consolidated tracked changes, we do have several comments on the wording of the six characteristics. Under the “certifications” characteristic we do not see the value in including the words in brackets: *“(although in a free market, nothing would preclude other organizations from*



*launching their own credential to try to gain market credibility and compete with the CIA)”.*

**5. The Position Paper discusses the internal audit profession’s self-regulatory model and calls for policymakers to protect this successful model. What are your views on the importance of protecting the profession’s ability to regulate itself? Does the vision articulated in this paper seem likely to sufficiently protect the profession from unnecessary regulations or government overreach?**

The Global IIA and Affiliates need to reflect on the fact that there are both pros and cons to self-regulated, as well as regulated professions. Part of the reason that statutory or external audit gets more attention from policymakers, regulators and legislators, and thus more regulatory and legislative recognition, is precisely because it is a regulated profession. As the Position Paper is currently worded it could give the impression to policymakers that we want to have our cake and eat it.

Furthermore, if internal audit was to be regulated through say a requirement for internal auditors to have a licence to operate, or register with a regulatory body, this could potentially raise professional standards and protect the reputation of the profession. If a requirement of a license is that an internal auditor must ensure they are appropriately qualified with a CIA certificate or similar professional qualification, then surely that could be viewed as a positive thing. This could stop unqualified internal auditors from operating. For example, in the UK we have the Architects Registration Board. See: <https://arb.org.uk/>. The ARB was established by the UK Parliament in 1997 to regulate the architect profession to stop unscrupulous architects from operating in the market. Why should the profession of internal audit be any different? Or, for example, in the USA realtors/real estate professionals must obtain a licence to sell houses/real estate. One could argue why should this be any different for internal auditors given the vital role they play as a critical component of good corporate governance. As the internal audit profession matures globally, and as it begins to gain greater regulatory and legal recognition, there could come a point when the arguments for a self-regulatory model may become harder to maintain.

That is not to say that we would advocate moving away from the self-regulatory model that is currently in place, but there needs to be understanding and recognition that in certain circumstances there could be potential benefits to greater regulation of the profession.

As the Position Paper stands the second paragraph under section 1 of page 12 might convince some policymakers that internal auditors should be regulated like doctors, lawyers and the like, for similar reasons to the ones outlined above.

We suggest very careful thought and consideration need to go into the framing and wording of this section.

**6. The Position Paper outlines six categories of unnecessary government restrictions and requirements which should be avoided. Do you support the categories? Why or why not? Are there other categories which should be added? If so, why?**

In the opening paragraph on Page 12 titled “Unnecessary Government Restrictions and Requirements” it would be helpful to give some specific global examples. For example, the issue of internal auditors having to register with the Greek Chamber of Commerce was introduced by the Government in Greece in 2021 and we also understand that in Rwanda internal auditors must be registered with the Government who also state the acceptable qualifications, CPE etc.

Also, see our comments above to the previous question regarding licenses and government/regulators registries. We are not arguing in favour of such an approach, but in the right circumstances, there could be potential benefits. Although this is probably not something we wish to

deal with or address in this Position Paper.

**7. The Position Paper makes the argument that it is appropriate to require internal audit functions in certain areas of the economy because such a requirement serves the public interest. Do you agree with this positioning? Do you agree with the six areas where The IIA argues internal audit requirements may be appropriate? If we missed a sector of the economy/society which merits inclusion, please explain.**

Broadly speaking we agree with this section of the Position Paper – although please review our comments and tracked changes in the attached marked-up version.

However, we would argue that Financial Services is probably deserving of its own dedicated area. This is because internal audit working within regulated financial services companies are as a rule subject to more stringent regulatory requirements. Financial Services also covers several sub-sectors: banking, insurance, asset managers etc. Internal audit is also generally regarded as being the most mature and developed within this sector. It is therefore deserving of its own area, not just being attributed to “critical infrastructure”.

**8. Broadly speaking, how should the internal audit profession think about its relationship to the concept of the “public interest.” What are the risks, in your view, of arguing that internal audit advances the public interest? What are the benefits?**

The Chartered IIA UK and Ireland strongly support the notion that the internal audit profession does advance the public interest and is part of the reason why we were able to obtain our Royal Charter in 2010. This is because internal audit plays a vital role as a critical component of good corporate governance across a range of organisation types across all sectors of the economy. The internal audit profession plays a key role in promoting greater accountability, transparency, effective risk management and good corporate governance across the public, private and third sectors. In turn protecting jobs, investments, and growth across all parts of the economy. So, fundamentally, their work is about advancing and serving the public interest for the good of wider society.

The key benefit of arguing that internal audit benefits the public interest, in the context of this Position Paper, is that this argument is likely to elevate and enhance the reputation and perception of the internal audit profession amongst policymakers, legislators and other stakeholders, including the public.

**9. Do you support the concept of explicit protections in law for internal auditors? Do you think this would be a politically viable proposal in your country?**

We support the concept that there could be circumstances that arise that would warrant explicit protections in the law for internal auditors. We believe that policymakers in the UK would be open to being engaged on this topic, although we would need robust evidence as to why there would need to be explicit protections in law for internal auditors, specifically. For example, evidence or case studies demonstrating that existing legal and employment protections for all employees or citizens are not sufficient in protecting internal auditors in their professional duties. More broadly, there could also be value in providing more of an explanation in this section about the benefits of ensuring safe working environments.

**10. Do you think it’s important for the internal audit profession to be involved in public policies related to whistleblowing? If so, does the section of the paper on whistleblowing adequately lay out an appropriate initial position?**

We think it is important for the internal audit profession to be involved in public policies related to whistleblowing. The section in the Position Paper does lay out an appropriate initial position. However, in the second paragraph of this section, we suggest deleting the words “As a general rule”



to send a clear and strong message that the Global IIA does support the establishment of whistleblower programmes.

**11. Do you feel that the stakeholder input process that we have outlined for this paper is sufficient? If not, what else do we need to do before finalizing this paper?**

The stakeholder input process for this Position Paper has been sufficient. We very much welcome the proactive engagement and the opportunity to share our views and shape the document. We are happy to provide further views and feedback on any subsequent drafts.