



**ICGN**

International Corporate Governance Network

Ms. Stacy M. Mantzaris  
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By email: [stacy.mantzaris@theiia.org](mailto:stacy.mantzaris@theiia.org)

15 August 2014

Dear Ms. Mantzaris,

**Re: IIA's Global Strategic Planning Process.**

The International Corporate Governance Network (ICGN) is an investor-led organisation of governance professionals with members including institutional investors responsible for assets under management in excess of US\$18 trillion. Our members are based in over 50 countries and, in addition to investors, represent all parties interested in the field of corporate governance including company directors and secretaries, professional advisors and academia.

Our mission is to inspire and promote effective standards of corporate governance to advance efficient markets and economies world-wide. This is achieved through influencing public policy on corporate governance issues, connecting peers around the world through international events and informing debate through publications and guidance. For more information about ICGN, please visit [www.icgn.org](http://www.icgn.org).

The ICGN's position on the importance of internal control and internal audit is set out in Principle 7.6 of our Global Governance Principles (Annex 1 enclosed) which states that:

*"The board should oversee the establishment and maintenance of an effective system of internal control which should be measured against internationally accepted standards of internal audit and tested periodically for its adequacy. Where an internal audit function has not been established, full reasons for this should be disclosed in the annual report, as well as an explanation of how adequate assurance of the effectiveness of the system of internal controls has been obtained."*

We welcome the opportunity to comment on the IIA's global strategic planning process as requested and set out our observations below:

## General observations

Internal audit (IA) is an important component in building trust and assurance in the governance, risk management and internal control systems of a company. Stakeholder expectations of the role of the IA is evolving and it is becoming more integral to a business and fulfilling a role in the governance of the entity. We anticipate that IA in the future will be much more proactive (rather than reactive) and strategic. This presents an opportunity for IIA members and for the IIA itself in enhancing the role of IA into more of an 'internal advisor and governance gatekeeper' and less as the 'internal policeman' model it may have had in the past.

Thus IA would need not only key audit skills and understanding of audit standards and practices, but also good insight into the business with better communications and negotiating skills so as to position itself as the business coach/mentor. IA should command the respect of management as a strategic business support and add to the value of the company and its operations. Also the IA should have diplomacy to be able to traverse between management and the board (or the audit committee) and ensure the audit committee understands and can take advantage of the changing role of IA. The positioning of IA in the company hierarchy will be important.

A challenge for the IIA is to ensure that it's members are positioned within each jurisdiction to be seen in this strategic light and are ready to step up to the plate. In some jurisdictions, there are only a few qualified internal auditors who see themselves as the 'corporate policeman'. The priority for the IIA should be to help increase the number of available internal auditors, while at the same time changing its own members' mindset to a new strategic level. Essential to this would be a consistent level of competencies and skills throughout the profession. The professional standards (the International Standards for Professional Practices in Internal Auditing) should become the global benchmark for IIA members.

The IIA may need to ensure the IIA and internal auditors are recognised in corporate governance codes, and other relevant laws, regulations and guidance. For example, the UK Corporate Governance Code explicitly requires companies to say if they have an internal audit function and if not to explain why they do not. We support national codes that recognise the value of IA and the IIA should press this further in markets where there is no such provision. This may be particularly important in key sectors such as banking and financial services.

To summarise, three obstacles for consideration in the IIA's global strategic planning would be: the shortage of trained internal auditors; the personal calibre of internal auditors; and the positioning of the IA profession. This corresponds to three potential opportunities being: a more central position of IA in company assurance and governance; growth in professional numbers and professional space of IA; and growth in regulatory positioning of the profession. The priorities therefore for the IIA would seem to be:

- ensuring a body of independent, business oriented, qualified and high calibre members in many diverse jurisdictions;
- raising the vision and standards of the profession and its members for the future expectations of IA (how to be proactive not reactive in view; how to be a coach and mentor to management and not a policemen); and

- ensuring the IIA presents professional standards which are understood and against which new expectations in all jurisdictions may be benchmarked.

Thank you once again for the opportunity to comment. Should you wish to discuss our comments further, please contact Kerrie Waring, ICGN's Managing Director, by email at [Kerrie.waring@icgn.org](mailto:Kerrie.waring@icgn.org) or by telephone on +44 (0) 207 612 7079.

Yours sincerely,

Elizabeth Murrall  
Chair, ICGN Accounting and Auditing  
Practices Committee

Erik Breen,  
Chair, ICGN Board of Governors

Cc: ICGN Board Members  
ICGN Accounting and Auditing Practices Committee

Annex 1: Enclosed ICGN Global Governance Principles