



**ACIIA ADVOCACY STUDY:
OBJECTIVES, STRATEGIES & PRACTICES IN INFLUENCING
KEY STAKEHOLDERS OF INTERNAL AUDITING**

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Executive Summary

In April 2016, the ACIIA Executive Committee asked IIA-Australia to conduct a survey of ACIIA member-Institutes to understand the advocacy landscape that existed in each country. Specifically, the purpose of the survey was to: ‘compile, report and circulate successful strategies and practices of ACIIA member-Institutes in influencing regulators and key stakeholders of internal audit in the Asia-Pacific.’

The major findings from the survey are as follows:

- The profession of internal auditing is not well recognized and understood.
- The International Professional Practices Framework (IPPF) are not mandated in most countries and are therefore not followed.
- A majority of countries nominated regulators as key stakeholders, followed by board directors and audit committees.
- Most countries cited the importance of promoting the profession to board directors and audit committees or ensuring the internal audit function is mandated in legislation or regulation.
- Most countries had their own specific outreach strategies targeting members, board directors and regulators to promote the profession, and advocate mandating the function, but lacked appropriate materials such as case studies, thought leadership materials and best practices to “sell” the value of the profession.

Three recommendations are made in the report.

1. That a workshop programme be instituted at an ACIIA Leaders’ Summit on Advocacy in 2017 to work with countries to help develop their own tailored advocacy campaigns. This will allow each country to establish strategies that are suitable for them, and interact with IIA Global in ascertaining what specific support could be offered.
2. That IIA Global works with ACIIA to develop regional best practice case studies that highlight the value that internal audit can bring to private and public organisations.
3. That ACIIA and IIA-Global direct their Thought Leadership program of publications and speakers to target Asian stakeholders.

Background

At its Business Meeting on 4 November 2015, the Asian Confederation of Institutes of Internal Audit (ACIIA) agreed to align its 2016-2018 Strategic Plan with IIA-Global’s 2016-2018 Strategic Plan.

IIA-Australia agreed to share responsibility with IIA-Taiwan to be Project Leaders for the advocacy goal of the Strategic Plan. The strategy assigned to IIA-Australia was: “Develop a strategy that influences, engages and serves audit committees, boards, regulators, and other internal audit stakeholders effectively.”

The Action Plan for 2016 was to “Compile, report and circulate successful strategies and practices of ACIIA member-Institutes in influencing regulators and key stakeholders of internal audit in the Asia-Pacific.”

An on-line survey was sent to ACIIA member-Institutes to understand the advocacy landscape in each country and to identify successful advocacy initiatives. IIA-Global was provided the opportunity to comment on and add to the survey questions.

Responses to the Survey

	ACIIA member-Institute	Grouping Code	Grouping	No Response
1.	Australia	PAC	Pacific	
2.	China	CH	China, HK, Taiwan	
3.	Chinese Taiwan	CH	China, HK, Taiwan	
4.	Fiji	PAC	Pacific	
5.	Hong Kong	CH	China, HK, Taiwan	No response
6.	India	SA	South Asia	
7.	Indonesia	SEA	South East Asia	No response
8.	Japan	EA	East Asia	
9.	Korea	EA	East Asia	
10.	Malaysia	SEA	South East Asia	
11.	New Zealand	PAC	Pacific	
12.	Papua New Guinea	PAC	Pacific	No response
13.	Philippines	SEA	South-East Asia	
14.	Singapore	EA	East Asia	
15.	Sri Lanka	SA	South Asia	
16.	Thailand	SEA	South East Asia	No response

Of the 16 ACIIA member-Institutes invited to participate, 12 or 75% responded to the survey.

Definitions

The definition of ‘**advocacy**’ for the purpose of this study was:

“The process of influencing stakeholders to gain their support for or to recommend/adopt a particular cause or policy favourable to internal audit.”

The definition of ‘**stakeholder**’ for the purpose of this study was:

“A person or an organization that can either affect or be affected in the practice of the internal audit profession.”

Details of Survey Results

The results of the survey will be presented based on each of the survey questions.

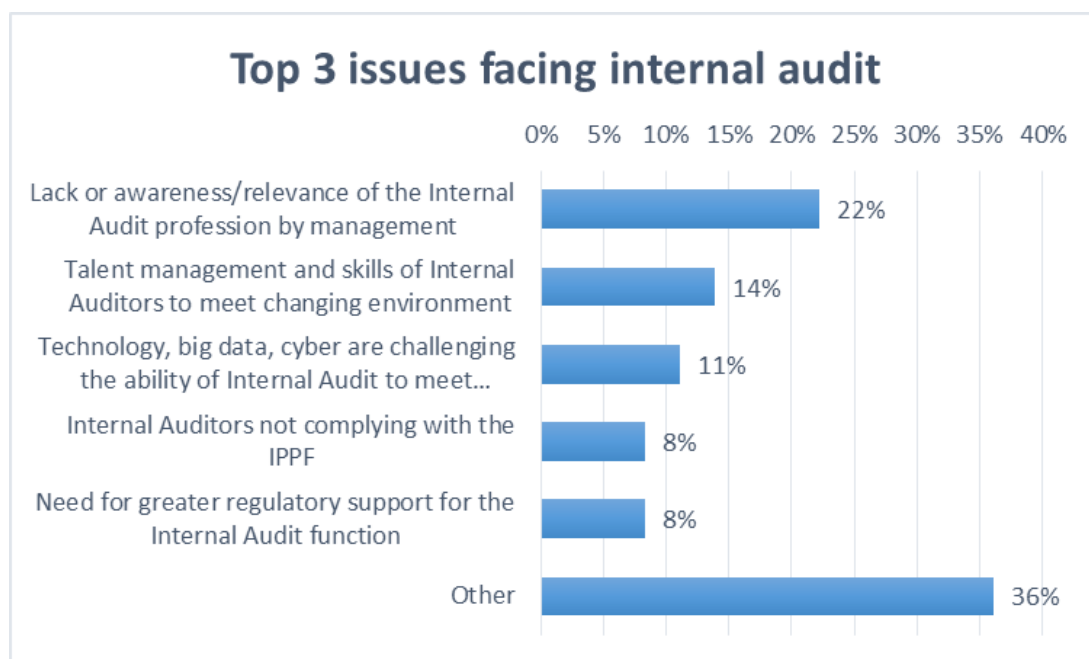
What are the top three (3) issues facing the internal audit profession in your country?

66% of respondents (eight) cited lack of awareness and the value of the profession by management within the government and private sectors as a major issue.

42% of respondents (five) stated that managing and skilling internal auditors as the next highest issue.

33% (four) mentioned the challenges internal auditors faced when coping with technology, big data and cyber security.

25% of respondents (three) mentioned internal auditors failing to follow the IPPF as an issue, while another 25% of countries cited the lack of mandating legislation for internal audit as an issue.



The 'Other' issues covered a wide variety of single topics. These included: young professionals choosing alternative professions; limitations of sharing best practice due to privacy concerns; maturity levels of internal audit with entities; outsourcing; shrinking number of internal audit shops, etc.

The majority of responses from Institutes on key issues concern the lack of recognition of the profession of internal auditing by government and industry. In many countries, the lack of legislation mandating the internal audit function makes it more difficult to approach companies and public sector entities to sell internal audit services.

Fiji, Korea, and the Philippines all consider mandating internal audit necessary, while in Australia mandating the internal audit function is consistent across Federal and State Governments but not at Local Governments levels. Further, following the IPPF "standards"

is not mandated but only recommended in guidelines in State and some Local Government jurisdictions.

India stated its biggest issue was the need to ‘follow international standards’.

Singapore and many others noted that the profession was not widely recognized within industry and government, and that education of stakeholders was required. Korea and Japan also agreed with this aim. Sri Lanka also agrees and in that country corporates ‘have not nurtured’ the profession. This also applied to Audit Committees. Australia, and also Japan, noted the lack of understanding of the importance of the internal audit function.

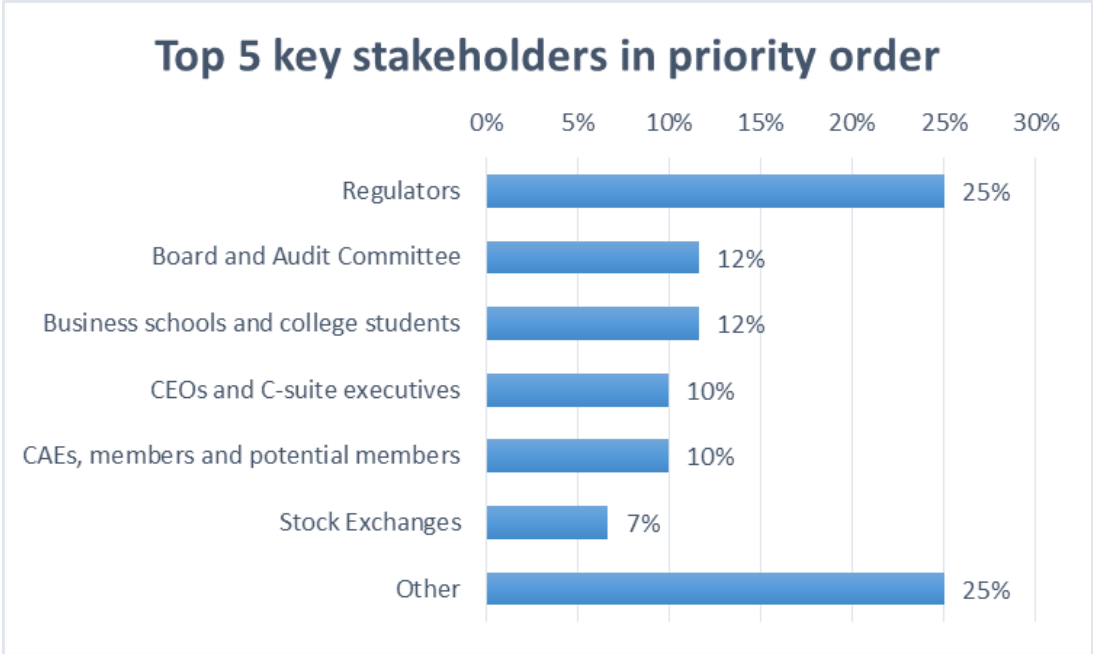
Japan noted the ‘acquisition of CIA certification’ as an issue and Korea also felt there was an appreciation of CIA qualification.

Chinese Taiwan noted the lack of management resources devoted to internal auditing while New Zealand said relevance of the profession was their number one issue.

List in priority order the top five (5) key stakeholders or audiences for your Institute’s advocacy efforts in your country

Nearly half of the respondents (42%) nominated Board Committees, CEO’s and Audit Committees.

The remaining half or 58% nominated Regulators, Government Ministries and Stock Exchanges.



For most Asian countries regulators are the most important stakeholder followed by board directors and audit committees. Singapore, Fiji, and Sri Lanka all ranked Audit Committees as key stakeholder while the Philippines ranked them second after regulatory bodies.

India, Japan, and Korea all cited key financial regulators while Sri Lanka, Philippines, Singapore and Australia also mentioned regulators, while New Zealand cited the Auditor-General.

China, Chinese Taiwan, Japan, Korea and the Philippines mentioned the importance of business schools and students as part of their advocacy efforts.

Australia, India, Japan and New Zealand mentioned the role of stock exchanges as a key element of their advocacy efforts.

Stakeholders in the 'Other' category tended to be one-offs. They include: members and potential members; social media; citizens; the younger generation, shareholders; and other professional groups and institutes.

[From the list of stakeholders above, what are the key objectives/outcomes that you hope to achieve from these stakeholders?](#)

For the Regulators, the first key objective cited by the respondents is the recognition and acceptance of the profession of internal auditing preferably by mandating it through legislation or regulation. Malaysia cited the desire for self-regulation.

Korea noted the mandating of QAIP with the Financial Supervisory Agency and that a proposal for listed companies to establish an internal audit function. Singapore also required mandating while Japan is also targeting the Government regulator Financial Services Agency requiring effective governance structures. Australia, Taiwan, Philippines and India noted that recognition of IPPF standards and internal audit function as critical in government and the private sector.

New Zealand has also sought mandating internal auditing for Government Departments and agencies through the Auditor-General's office.

For the Board and Audit Committee, most countries cited the importance of promoting the profession. China is keen to ensure that they assist board and audit committees to be better aware of internal audits' value. Fiji sees recognition of the profession as the important objective by board Audit Committees. Malaysia's key outcome is to provide the internal audit function with organisational independence. Sri Lanka noted that 'managing expectations' and clear directions for boards and Audit Committees would be a clear objective. The Philippines wants to partner with the board and Audit Committee to promote and enforce governance, risk and control best practices in organisations. Singapore wants to promote to the Audit Committee the 'value proposition' of internal audit and its terms of reference and gaining their ongoing support for internal audit.

For Business Schools and College Students, China, Malaysia and Singapore's desire is to raise students' interest in internal auditing as a profession and build talent pipelines. Chinese Taiwan's goal is to disseminate the theory of internal audit and promote the internal audit certifications. Korea highlighted the role of education and training to school students while Japan's objective is to (1) promote internal audit and (2) influence internal audit content through collaborative co-development with universities and academic societies. In the

Philippines working alongside academic communities, their goal is to develop fit-for-purpose internal audit professionals and encourage the development of internal audit research for the profession.

In respect to CEOs and C-suite executives as key stakeholders, China and Singapore are focused on getting them to understand the value proposition of internal audit. Australia's objective is to have boards acknowledge the influence that internal audit has on the business. Malaysia's objective is for the C-suite to support the internal audit function within the organisation and in the Philippines it is for the C-suite to be active partners in promoting and enforcing governance, risk and control best practices within organisations.

Please describe two or three advocacy strategies that you have used to successfully influence stakeholders in your country

Singapore, Australia, New Zealand, Korea, India, Philippines and Japan have engaged directly with regulators and stakeholders through industry conferences and roundtables. Korea has also liaised with Seoul University to provide the Advanced Auditors Program (AAP) for audit committees and have attracted some 450 to the program, and the Professional Internal Auditor Program (PIAP) which has also processed over 400 delegates.

Fiji has targeted members and was successful through training and conferences and through promotions such as internal auditor month in May. Korea also used 'open education' with auditors.

Sri Lanka has used annual conferences which target CEO's, directors, CAE's and audit committees.

Philippines has partnered with organisations such as Institute of Corporate Directors and other like-minded organisations. In addition, when the Philippines SEC crafted the SEC Code of Corporate Governance, it adopted IIA's recommended provisions pertaining to the Chief Audit Executive, Audit Committee, Internal Audit Activity and Management responsibility for internal controls. Similarly, New Zealand has contributed to the Institute of Directors 4 Pillars of Good Corporate Governance Document highlighting best practice for company directors.

India has staged events to attract audiences. While Chinese Taiwan has held internal audit forums to focus on challenges facing the industry.

Australia has also used conferences & CBOOK publications to attract increased media stories. It has also collaborated with the Australian Institute of Company Directors to jointly publish a best-practice guide book on Audit Committees.

China has been successful in inviting leaders from IIA-Global and ACIIA to share their thoughts and expertise on emerging issues. Interestingly, China includes regulators in their committees as volunteers.

What are the biggest obstacles to your Institute's advocacy efforts?

25% of countries nominated lack of member involvement as an issue. It is apparent from these comments that significant reliance is placed on volunteers to actively participate in advocacy initiatives.

The remainder such as Singapore stated the lack of relevant benchmarks or indicators as stakeholders do not see internal audit as a priority. Sri Lanka also stated the lack of perception of the importance of internal auditing to an organisation. New Zealand stated the lack of a value proposition for internal auditing is affecting the profession in that country. Japan cited the critical impact that management's understanding of internal audit has on whether it will succeed in organisations.

The Philippines and Japan both acknowledged the lack of understanding of the importance of the internal audit function, and lack of support from boards in promoting it.

Chinese Taiwan stated that IPPF standards were not mandated therefore it was difficult to enforce.

China mentioned new laws will result in changes to aspects that will affect its advocacy efforts. Also they are relatively weak in using new social media technologies to exploit advocacy opportunities.

New Zealand mentioned that internal audit is seen by many as a catalyst for change and that as a consequence the profession is viewed with suspicion.

How can The IIA or ACIIA help to support you in your current and future advocacy efforts?

75% of countries wanted marketing materials that can be used to create awareness of the importance and value that internal audit can bring to organisations. Thought leadership addressing problem-solving case studies was suggested by China. Chinese Taiwan suggested promotional videos on the benefits of advocacy dubbed in Chinese.

Singapore recommended benchmark surveys and studies relevant to Asia's business culture and more collaboration in sharing information. Japan also shared this view requesting insights and keynote speakers to support local education programs. Korea also shared this sentiment wanting more support for education programs directed at the younger generation.

India suggested best practice reports and common learnings from Institutes within the region to help promote the profession.

The Philippines made the point that the IPPF standards and the internal audit function required mandating and this would help advocacy. New Zealand suggested 'tangible examples' of the success of internal auditing relevant to New Zealand's business culture.

New Zealand, India and Korea suggested best practice case studies to assist in 'selling the profession' to regulators and stakeholders.

Conclusions

The survey clearly shows that the profession of internal auditing is not sufficiently recognized and understood. The International Professional Practices Framework (IPPF) “Standards” are not mandated in most countries and are therefore not being followed. There is clearly a desire from most Asian and Pacific countries for an advocacy campaign to mandate the internal audit function.

In keeping with that aim, a majority of countries nominated regulators as the key stakeholder group followed by board directors and Audit Committees.

While there is a diversity of approach with countries following their own specific outreach strategies targeting members, board directors, and regulators to promote the profession across the region, it is clear from the research that in most cases the countries lacked appropriate region-specific materials such as case studies, thought leadership materials and best practices to “sell” the value of the profession.

Recommendations

1. That a workshop programme be instituted at an ACIIA Leaders’ Summit on Advocacy in 2017 to work with countries to help develop their own tailored advocacy campaigns. This will allow each country to establish strategies that are suitable for them, and interact with IIA Global in ascertaining what specific support could be offered.
2. That IIA Global works with ACIIA to develop regional best practice case studies that highlight the value that internal audit can bring to private and public organisations.
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