AGIA and IIAP: Strengthening Partnerships

"AGIA: Kaagapay sa Pagsulong ng Tunay na Pagbabago“
Annual National Convention
Puerto Princesa City
13 October 2016
The partnership
Signed November 2015

1. Briefing on the state of internal audit to facilitate understanding of principles, standards and frameworks.

2. Support advocacy for strong internal auditing in the public sector.

3. Provide trainers on topics related to practice of internal auditing.

Internal auditors from NGAs, GOCCs, GFIs, SUCs and LGUs. It’s primary objective is to promote the development of its members toward a strengthened internal audit service which will ensure:

- quality service delivery and
- efficient and effective utilization of state resources.
The Institute of Internal Auditors

The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td>IIA, Inc. was established in New York</td>
</tr>
<tr>
<td>1948</td>
<td>IIA – Manila Chapter was organized on 14 Aug 3rd chapter of IIA, Inc.</td>
</tr>
<tr>
<td>1990</td>
<td>Earned ‘Institute’ status</td>
</tr>
<tr>
<td>2016</td>
<td>Theme: “Embrace and lead change”</td>
</tr>
</tbody>
</table>

The only globally accepted designation for internal auditors and the standard by which individuals demonstrate their professionalism in internal auditing.
1. Our internal audit journey

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<table>
<thead>
<tr>
<th>Golden harvest</th>
<th>Rank</th>
<th>To-date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold (Global topnotcher)</td>
<td>Top 1</td>
<td>4</td>
</tr>
<tr>
<td>Silver</td>
<td>Top 2</td>
<td>1</td>
</tr>
<tr>
<td>Certificate of excellence</td>
<td>Top 10</td>
<td>15</td>
</tr>
<tr>
<td>Certificate of honor</td>
<td>Top 50</td>
<td>46</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Certified professionals</th>
<th>To-date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGAP</td>
<td>1</td>
</tr>
<tr>
<td>CCSA</td>
<td>56</td>
</tr>
<tr>
<td>CFSA</td>
<td>62</td>
</tr>
<tr>
<td>CRMA</td>
<td>87</td>
</tr>
<tr>
<td>CIA (as of 10 Oct 2016)</td>
<td>1,678</td>
</tr>
</tbody>
</table>

Professionals involved in internal audit, governance, risk, control and compliance, academe and government, fraud and IT.
Mission of internal audit

To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

Our *Code of ethics* governs an internal auditor’s principles and rules of conduct on: Integrity, Objectivity, Confidentiality, and Competency.
Core principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively.

Input
1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
Core principles
The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively.

Process
4. **Aligns with the strategies**, objectives, and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. **Communicates effectively**.
Core principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively.

Output

8. Provides risk-based assurance.

9. **Is insightful, proactive, and future-focused.**

10. Promotes organisational improvement.
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**2. Our love affair with governance**

The IIA has been instrumental in shaping governance practices through various initiatives and support mechanisms. Here are some key milestones and initiatives:

- **Regulatory environment**
  - AO 70: Internal audit services (Government)
  - BSP 499: AC and IA function (Financial Institutions)
  - BSP 871: Internal control and internal audit (Financial Institutions)

- **Advocacy support**
  - Search for Outstanding Internal Audit Department (IIAP and SEC)
  - ASEAN Corporate Governance Scorecard (ACGS)
  - Integrity Initiative
  - AGIA Survey on Internal Audit Practice in Public Sector

- **Public sector**
  - Performance Governance System (PGS)
  - Islands of Good Governance (IGG)

These initiatives reflect the IIA's commitment to promoting best practices in corporate governance and internal auditing.
Definition

OECD/BSP
“… set of relationships between a company’s management, its shareholders and other stakeholders …”

ICD
“… the system by which companies are directed and controlled by a company’s board of directors acting collegially …”

Vermulean
“… an ecosystem built on trust and value creation …”

SEC
“… the framework of rules, systems and processes in the corporation …”

A set of behavioural patterns | A normative framework
11 principles of good governance

**ICD**
1. Independence
2. Rights and duties
3. Original powers to decide
4. Loyalty
5. Long-term viability

**OECD**
6. Fairness
7. Accountability
8. Transparency

**Jess Estanislao**
9. Ethics
10. Social responsibility
11. Sustainability

- The Board – collectively – is the head of the corporation.
- The Board is a collegial body and acts collegially. Rights and duties of the Chairman, the CEO, principles for check and balance, and insurance for collegial decision-making.
- The Board is duty-bound to act always and **decide in the interest of the corporation**.
- It is vested with fiduciary duties and called upon by law to discharge with **care and the due diligence** of any prudent director.
- The Board is duty bound to decide and act always with the **long-term viability** of the corporation in mind.
## Framework: The Tricker Model

### Roles

<table>
<thead>
<tr>
<th>Outward looking</th>
<th>Conformance</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountability</td>
<td></td>
<td>Strategy formulation</td>
</tr>
<tr>
<td>Report to shareholders</td>
<td></td>
<td>Review of strategic plan</td>
</tr>
<tr>
<td>Legal &amp; reg’y compliance</td>
<td></td>
<td>Set company direction</td>
</tr>
<tr>
<td>Audit reports review</td>
<td></td>
<td>Determine strategy</td>
</tr>
<tr>
<td>Supervising executive activities</td>
<td></td>
<td>Policy-making</td>
</tr>
<tr>
<td>Executive performance</td>
<td></td>
<td>Approve budgets</td>
</tr>
<tr>
<td>Review results + budgets</td>
<td></td>
<td>Executive compensation</td>
</tr>
<tr>
<td>Corrective action</td>
<td></td>
<td>Corporate policy</td>
</tr>
</tbody>
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### Focus

- **Past and present**: Outward looking
- **Future**: Inward looking
3. Future-proofing the profession

The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.
Making ourselves relevant, globally

The IIA’s Competency Framework defines the competencies needed to meet the requirements of the IPPF for the success of the internal audit profession.

In the pipeline with AGIA:
- Foundations on risk management
- Risk and controls workshop
- Foundations on information systems auditing
- Information systems auditing workshop
- Developments in internal auditing – a briefing

In the pipeline with BaiPhil:
- Certification in Finance and Internal Audit

On offer with ICD:
- Enhancing Audit Committee Effectiveness (12 Oct)
From the accountancy profession
Recent developments from CHED and the Board of Accountancy

<table>
<thead>
<tr>
<th>Certified Public Accountant (CPA)</th>
<th>Certified Professional Accountant (CPA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced + 3 y/OJT</td>
<td>Advanced + 3 y/OJT</td>
</tr>
<tr>
<td>Certified Accountant (CA)</td>
<td></td>
</tr>
<tr>
<td>BSA</td>
<td>BSMA</td>
</tr>
<tr>
<td>BS-AIS</td>
<td>BS Internal Auditing</td>
</tr>
<tr>
<td>K-12 Program (ABM Stem)</td>
<td></td>
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Opportunities arising:
- Competency-to-curriculum Mapping Project
- Development of Course Workbooks, Cases and Textbooks
- Identification of Internal Auditing Faculties
- Teachers’ Training on Internal Auditing Subjects

Expanding internal auditing education:
- Master of Science in Internal Auditing Program
- Minor-Major Programs
In summary

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Thank you

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CPA, CIA, CCSA, CRISC, MPM, CMC, CRMA
Chairman and President, Institute of Internal Auditors Philippines
Knowledge Management and Advisory Partner, P&A Grant Thornton

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