IIA INSTITUTE
FORMATION MANUAL

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INTRODUCTION

This manual is provided to assist organizations or groups interested in forming a new IIA Institute. The Institute of Internal Auditors (IIA Global) is a global membership association dedicated to the education and advancement of internal auditors and individuals interested in the professional practice of internal auditing. Today, IIA Global has over 165,000 members in more than 165 countries. Members join local Institutes, which are organized into geographic region and form the core of the organization. IIA global headquarters, which employs more than 100 staff members, are located in Altamonte Springs, Florida, USA.

I. IIA ORGANIZATION

WHAT IS THE INSTITUTE OF INTERNAL AUDITORS?

Mission:
The mission of The Institute of Internal Auditors is to provide dynamic leadership for the global profession of internal auditing. Activities in support of this mission will include, but will not be limited to:

1) Advocating and promoting the value that internal audit professionals add to their organizations;

2) Providing comprehensive professional educational and development opportunities; standards and other professional practice guidance; and certification programs;

3) Researching, disseminating, and promoting to practitioners and stakeholders knowledge concerning internal auditing and its appropriate role in control, risk management, and governance;

4) Educating practitioners and other relevant audiences on best practices in internal auditing; and

5) Bringing together internal auditors from all countries to share information and experiences.

2008-2013 Strategic Objectives

1. Internal Auditing is universally recognized as a profession.
   - Value of internal auditing is recognized by stakeholders (public good).
   - Professional requirements are established with a high preponderance of practitioners who are certified and meet professional requirements.
   - Leveraging off of a mature advocacy program, IIA Global is universally recognized as the global leader of the internal auditing profession.
   - IIA Global has developed programs to encourage entry into the profession, continuing professional growth through IIA membership, and achievement of designated professional qualifications.

2. Defines the principles of the profession and assures that the principles are available seamlessly worldwide.
   - Global, current PPF that leads the practice of IA.
   - Established translation process and protocol.
   - Global communications mechanism to consistently, effectively and efficiently deliver IPPF to all members and practitioners.

3. Assures adherence to professional requirements.
   - Professional requirements and the process to meet professional requirements are understood globally by practicing internal auditors and stakeholders.

- Global educational programs are in place and provide the learning pathway to adherence.
- A self-assessment framework is readily available for members and practitioners.
- An independent monitoring and validation process is in place to assess adherence by those internal auditors with the professional designation.
- The internal auditing professional designation is held in esteem.

4. IIA is the preferred provider in the research, development and dissemination of knowledge to advance the profession.
    - IIA Global is universally recognized as the leader in research and analysis on the state of the profession and the practice of internal auditing.
    - IIA Global has an effective global knowledge management system to facilitate timely sharing of internal audit theory, guidance, best practices, tools and techniques.
    - IIA Global is the practitioners' preferred and primary resource (both globally and locally) for internal audit products and services.
    - The common body of knowledge encompasses member and nonmember practitioners worldwide.
    - A robust learning 'pathway' for professional development is in place with clearly defined competencies, leveraging global products and services.
    - Through its global organization, IIA Global provides timely information on emerging issues and their implications for the profession.

5. IIA is seen by its members and operates as one global organization.
    - Membership perceives IIA Global as a global organization.
    - IIA Global brand is recognized globally.
    - Consistent global professional principles are executed locally worldwide.
    - A global structure and economic model is in place to sustain the IIA globally.
    - Respective roles, responsibilities and accountabilities of each element (local, regional and global) of the IIA are accepted and enforced.
    - Products and services are conceived, developed, aggregated and distributed globally, leveraging the global network.
    - Seamless and routine information sharing about the IIA organization occurs between institutes and the global IIA organization, enabled by technology.

INSTITUTE ORGANIZATION

IIA Institutes are the building blocks of IIA Global. Our aim is to bring together IIA members as well as business, industry and government by having an IIA Institute in every country/area. This Institute should be able to support and sustain itself financially and operationally. Internal Auditors from business, government and industry generally make up the membership of the Institute. Representatives from public accounting organizations, educators from colleges and universities, and students interested in the internal audit field are also members in many Institutes. This membership diversification provides a real forum for a rich interchange of ideas and information.

Provisional Status

All new Institutes are given a provisional status for a minimum of two years knows as "Institute-in-Formation" before full status can be granted. Institutes must meet all conditions outlined in the Memorandum of Understanding (Exhibit 10) during the provisional phase in order to receive their official Charter of Affiliation.

WHAT DO IIA GLOBAL AND INSTITUTES HAVE TO OFFER?

The values that IIA Global offers all IIA Institutes and members are the IIA brand, global guidance, global advocacy efforts, global certification program, an annual International Conference, and the IIA worldwide network of Institutes, members and volunteers.

- IIA Institutes have exclusive access to the IIA brand (name, logo) in their geographic areas.
- IIA Global offers up-to-date global guidance that all IIA Institutes are asked to promote in their areas and all members in their organizations. The IIA's International Professional Practice Framework (IPPF) which includes the Code of Ethics, Standards, Practice Advisories, Practice Guides and Position Papers is applicable and accessible in English to all IIA members worldwide.
- IIA Global promotes the advancement of the internal audit profession to key advocacy targets such as INTOSAI, OECD, the World Bank and IFAC. All members benefit from the increased recognition of the profession by these strategic stakeholders.
- IIA Global offers the Certified Internal Auditor (CIA) for all internal auditors as well as several specialty certifications such as CCSA, CFSA and CGAP.
- IIA Global hosts the annual International Conference in collaboration with a chapter or an Institute.
- IIA Global maintains relations with over 100 Institutes around the world, offering various networking opportunities as well as the exchange of leading practices among them.
- IIA Global is led by a global board of directors supported by various committees whose members are volunteers who dedicate their time to the advancement of the profession and the IIA.

IIA Institutes are responsible to promote global benefits of membership and deliver services to their IIA members. They provide members with opportunities to meet and interchange ideas and up-to-date "know-how" with other internal auditors in their area. Institutes hold regular programs, meetings, seminars, and other activities that benefit members and broaden their scope of proficiency in the modern internal audit profession.

MEMBERS' QUALIFICATION

All practicing internal auditors, public accountants, educators, students and those individuals in related fields and interested in the practice of internal audit are invited to join. The four standard classes of membership are:

1. Member - Open to individuals involved in internal audit, internal controls, risk assessment, information systems audit and related fields. Also those who have an interest in internal audit, i.e., members of Audit Committees, external public accountants, controllers, CEOs, and suppliers of services.
2. Educational Member - Individuals principally employed as educators at colleges or universities.
3. Student Member - Open to those engaged full time in the study of internal audit or related courses at colleges and universities who cannot qualify as a member or educational member.
4. Retired Member - Open to anyone who is a member in good standing of the Institute and who is retired.

Due to the cultural and business differences among various countries, Institutes may request modified membership classifications within the overall structure and mission of IIA Global. Any changes to the above classifications must be requested prior to affiliation/implementation.

MEMBERSHIP

Many Institutes offer membership discounts for groups of three or more to encourage companies to sign up all of their auditors. Typically, the more members a company signs up, the lower the "per member" fees should be charged. One central contact person per company administers all individual memberships and one contact/address is used to deliver all services.

IMPORTANT NOTE: Membership in the IIA is only for **individuals**. Companies cannot be recognized as members. Only individuals can be accountable for following the *IIA Code of Ethics* and *Standards* and be certified. Only individuals can be granted voting and leadership rights and assigned a membership number that recognizes them as a member. Individual membership benefits such as discounts or access to members-only services including web site passwords cannot be shared.

FORMING AN INSTITUTE

There are a series of steps that should be followed to assure that your local group is organized in a quick and thorough manner. These steps are broken down into (1) pre-formation activities; (2) formation activities; and (3) post-formation activities.

II. PRE-FORMATION ACTIVITIES

HOW TO BEGIN

1. Check the list of IIA Institutes on IIA website to see if there is an Institute established in your country or geographic area. If not, contact IIA Global at iia-global.headquarters@theiia.org and discuss your ideas for forming an Institute. Link for the list of IIA Institutes is:

   http://www.theiia.org/chapters/index.cfm?act=all.list

2. Start making contacts in your geographical area to determine:
   a) acceptability of a new Institute formation.
   b) anticipated growth patterns.
   c) sufficient membership with capabilities to build a strong, progressive, independent and self-sustaining Institute.

3. After you have been approved by IIA Global to become qualified individuals to carry forward the Institute formation initiative (see **Tool 1** for *Qualification Questions*), your first objective should be to establish a formation committee of interested persons. You will receive a **list of existing IIA members and CIAs located in your area from IIA Global.** You will want to contact these members to see if they are interested in helping with your organizational efforts.

   The **formation committee** should act very much like a **membership committee** and first inquire in the community to get an idea of how many prospective candidates you have.

4. Provide IIA Global with the information requested in the *Qualification Questionnaire* **(Tool 1)** and in the ***Institute Formation Checklist – To Become a Prospective Institute*** **(Tool 2).** While you may receive a quick response on your request for Prospective Institute status, keep in mind that it may take up to **one year** to develop from Prospective Institute to Institute-in-Formation and a minimum of **two years** from Institute-in-Formation to full Institute status. During this time, it's likely that IIA will recommend a mentor for you to

guide you in the Institute Formation process. For details about the Institute Mentor Program, please check on the following link:

http://www.theiia.org/chapters-institutes/leader-support/institute-leaders/institute-formationexpansion/

Many Prospective Institutes find it helpful to conduct meetings and seminars while their official formation is in process in order to exchange experiences and knowledge and to attract other internal auditors to the IIA.

III. FORMATION ACTIVITIES

ORGANIZATIONAL MEETING

When you feel you have a sufficient number of members to organize your Institute, you should start planning your organizational meeting; the ***Formation Checklist – To Become an Institute-in-Formation*** **(Tool 3)** will provide you with step-by-step activities that need to be completed. You may wish to invite prominent internal auditors as volunteer from your area to the organization meeting either as speakers or as guests. The Institute Relations and Global Development staff at IIA Global headquarters is available to support and guide you in the formation process. Please contact them at iia-global.headquarters@theiia.org when necessary.

Formation Committee activities before organizational meeting

1. Before your first organizational meeting, your Formation Committee and other volunteers would have developed the **Institute bylaws**. While the bylaws of the Institute are subjective to the discretion of the Institute itself, they must be consistent with the provisions, intent and purposes of *The IIA's Bylaws and Board Policy Manual (available upon request). Sample* ***IIA Bylaws*** that can be adapted are provided for your use **(see Exhibit 9)**. Proposed Institute bylaws should be reviewed by the Institute Relations and Global Development staff at IIA before the bylaws can be approved by your members.

2. The Institute Agreement includes the following commitment: *The IIA-Institute ensures that its bylaws do not conflict with Global IIA bylaws.* It is understood that due to cultural and legal differences around the world, IIA Institute bylaws/constitutions may vary to adapt to local practices. The **Exhibit 9A** provides clarity regarding which **elements of IIA Institute bylaws/constitution must be in accordance with the Global IIA bylaws/board policy manua**l. It highlights the key governing principles that must be common to all IIA Institutes. It is expected that any deviations to these key common elements must be communicated to IIA Global and approved by the global Board of Directors.

3. The following items need to be prepared if the resolutions are to be approved during the organizational meeting. To assure a strong foundation to help in the future functioning, growth and welfare of the Institute, you should:

   - decide on your operation/fiscal year (IIA suggest to use the calendar year for your operation/fiscal year)
   - decide where and when meetings will be held
   - decide on the frequency and nature of meetings, and
   - decide on the membership dues you will charge each class of membership (these should cover the annual affiliation fees to be remitted to IIA Global by your Institute and the funds sufficient to support your Institute administration and activities). At this time you should also determine how and when the dues will be collected from members including the renewal process.
   - Develop an **action plan** and provide a long-range direction for the Board of Directors and officers of the Institute to actively work to support The Global IIA's mission and goals. (see sample - **Exhibit 8**)

4. Your Formation Committee should also review the **Memorandum of Understanding** (MoU - **Exhibit 10**), understand the conditions contained and be prepared to present this memorandum during the organizational meeting. Please note that this document does not need to be sign at this time.

Your agenda for your first meetings should include

1. **Election** of a **chairperson** and **secretary** for recording the minutes of the meeting.

2. Adoption of an **Institute name**. You are recommended to use the name of the country that is descriptive of the geographical area in which the institute is to function, for example IIA (Name of Country). Read the **Exhibit 7A** for the ***Guidelines for the recognition and naming of IIA Institute*.**

3. Adoption of **Institute bylaws**. It would be helpful if attendees receive a copy of the proposed bylaws before the meeting. Please note that the bylaws must be approved by IIA Global before they are formally registered.

4. Election of **Institute officers**. The chairperson elected to preside over the organizational meeting and the secretary should be responsible to preside over the initial election of officers and board members for the Institute **(**see ***Guidelines on Initial Election Process* – Exhibit 7)**. They will collect nomination for officers and board positions from the members of your organization and have this list available for everyone to see during the election. Qualifications and duties of officers should be outlined in the Institute bylaws **(**see articles V and VI of *Sample By-Laws* **Exhibit 9)**. In a general sense, qualified officers must possess the needed abilities for the competent fulfillment of the duties of the office assumed. The Institute president, in particular, must be a good leader and, preferably hold executive position in internal audit department of a prominent organization. The Institute Officer Listing **(Exhibit 6)** must be completed at this time and sent to IIA Global.

5. Completion of **resolution**. No less than **15 members should sign the resolution** form **(Exhibit 1)**. The elected president and the secretary of the Institute must sign at the bottom of the resolution. If you are an existing organization, we recommend that no less than two-thirds of the members of your organization must vote "yes" to the resolution to form an Institute. Also, send a **list of all members** by using the required Membership Reporting Template **(Exhibit 14).**

6. Establishment of **standing committees** such as committees for Audit, Ethics, Nominations, Membership, Education, Certification. In addition, other committees may be desirable such as committees for Research, Public Relations, Ethics, Professional issues, etc. Please find a sample description on the roles and responsibilities for each of the committees from the **Article VII of the Exhibit 9.**

7. The membership will be required to **vote** on the resolutions prepared by the Formation Committee regarding:
   - the operation year (fiscal year)
   - where and when meetings are to be held
   - the frequency and nature of meetings
   - the membership dues that will be charged to each class of membership

8. Local organization and **finances**. To assure a strong foundation to help in the future functioning, growth and welfare of the Institute, you should:
   - discuss how to secure new members.
   - establish and define activities of committees.
   - formulate the programs for the entire year: meetings, seminars and other activities.
   - prepare a visit from your mentor or IIA Global headquarters staff to review and support your formation activities.

8. **Membership** applications. Use the sample membership application **(See Exhibit 3**), customize it to include your membership classes and fees, and request each member to complete and sign their form. The Institute

ensures that all members understand and agree to abide by The IIA's *Code of Ethics* and to support the *International Standards for the International Professional Practice of Internal Auditing*.

9. Requests for **membership transfer**. Existing IIA members who are transferring to your new Institute must submit requests of transfer by completing the required form **(Exhibit 4).** If they are members-at-large affiliated directly with IIA Global, they will carry a dual membership until their original membership expires.

10. For your association to be recognized as an **Institute-in-Formation**, you must have at least **30 members**, and 20 of them must be internal auditors.

WHAT HAPPENS AFTER YOU SEND THE APPLICATION?

The Institute application will be presented to the Institute Relations Committee (IRC) for the review, authorization and confirmation of all acts taken at the organization meeting. The IRC must support the resolution to form a new Institute before it is forwarded to the Board of Directors for a vote. The IIA Board of Directors normally meets twice a year (June and December).

After approval is granted, you will be notified by IIA Global of your provisional "Institute-in-formation" status and be asked to **sign the Memorandum of Understanding (Exhibit 10)** which spells out the conditions to be met before you can qualify for full affiliation status.

The Institute's top elected officer and/or designated contact person will receive an official letter from the global Chairman of the Board with a provisional charter. They will be coded to have access to the Leaders Support sections of the IIA web site where a number of resources are available such as a basic library order form, a manual with all tools and information needed to operate an Institute and serve members.

You will be asked to choose among **optional Institute services** (**Exhibit 11**) and to decide whether or not you want IIA Global to deliver membership numbers and passwords to your new members directly. Individual member needs them to have access to member-only section of the IIA Global Web Site. If you select "**Direct**" service, you must report your new members email addresses on the membership reporting template (**Exhibit 14**) when reporting new members. If you select "**Indirect**" service, you will be asked to download your new members' numbers and passwords from the IIA web site and forward this information to them yourself.

IV. POST FORMATION ACTIVITIES

MEMBERSHIP RECRUITMENT

A primary task of an IIA Institutes is to develop IIA members. Below you will find an outline of how to recruit and keep members for your Institute. Further details on membership recruiting may be found in the *Membership Development* section under Membership in the Institute Leader support section of the IIA website.

1. Discover your potential for membership in the community and set a goal for recruitment.

2. Develop definite plans for achieving recruitment goals. Map out your procedures and detail a plan with specific time frames involved. (Sample recruitment plan can be found in the Membership Development section in the Institute leader support page)

3. Learn what IIA Global offers its members and then make plans for what you will offer the members of your Institute. Consider offering seminars or workshops on internal audit subjects of current interest. Provide a copy of your program to the Institute Relations and Global Development Department.

4. Choose dynamic leadership. If you have several IIA members signed up, you may want to ask them to help recruit a specified number of new members. Encourage them to start with recruiting their peers in their companies or industries.

5. Make your prospective member list as comprehensive as possible by checking in phone directories, Chamber of Commerce listings, other association directories, ads for internal auditors in newspapers and others.

6. Follow up on prospective members. Remember that the initial contact may not be enough to convince a prospect into a member. If the prospect does not join at your first try, keep his/her name on your list because the prospect maybe interested later. (See **Exhibit 2** for **Membership Invitation Letter**)

Once you have successfully recruited members, you will need to have good local programs to keep them. Get all new members involved in Institute activities from the very beginning. Ask for their ideas and suggestions and make them feel at home.

AFFILIATION FEES FOR INSTITUTES

Institutes set their own membership dues which they collect directly from their members. New members must be reported to IIA Global as they are recruited by the Institute at real time throughout the year or at least on a quarterly basis (See section VII- Reporting Requirements). Annually in June, IIA global prepares the Institute's annual affiliation fees based on the total membership size (TMS) of the Institute. Invoices are sent in June each year and the Institute remits the fees to IIA Global within 90 days of billing.

When a new Institute in Formation (IIF) is approved by the Board of Directors, an annual fee invoice is issued which is assessed at US$ current rate times the number of members. This invoice is due upon receipt.

The affiliation fees are subject to change and adjustment by the IIA Board of Directors. IIA Global provides nine (9) month of notice in advance for any affiliation fee changes. At present (2011-12), the annual fees Institute pay IIA Global are assessed at US$11.50 times the number of members. The 2012-13 annual fee approved by the Global Board is $13.50 times the total membership size (TMS).

VI. INSTITUTE AGREEMENT

All commitments, core services and benefits and compliance requirements are listed in the sample **Institute Agreement (Exhibit 12).** Institutes are asked to review the agreement periodically and conduct an assessment of compliance against the various commitments of the agreement. Compliance with the reporting requirements and all clauses of the agreement is monitored by IIA Global. Non-compliant institutes are reported to the IIA's Institute Relations Committee for action. Any Institute-in-Formation that remains non-compliant during the provisional years will not be granted full status.

VII. REPORTING REQUIREMENTS

All the Institutes are required to submit the following reports to IIA global as per the Institute Agreement. Failure to provide the information may affect their affiliation status with IIA Global. Refer to this page for a list of Reporting Requirements: http://www.theiia.org/chapters-institutes/leader-support/institute-leaders/institute-reports/

The Institute must provide the following on:

Ongoing basis:

- List of new and dropped members in the required **Membership Reporting Template** (**Exhibit 14**). The list should include the member's first name, last name, and e-mail address (if direct services are requested). (Please note that it is the responsibility of the institute to compare and reconcile its own membership lists with the lists provided by IIA Global. Institutes must provide the list of dropped members, reinstated members and/or e-mail address changes.

Monthly or quarterly basis:

- Copy (hard or electronic) of Institute newsletter or other periodicals

Annual basis:

- Annual Activity Report due at the end of January
- Copy of Annual Financial report (due 6 months following the fiscal year end)
- Listing of top **elected officers** (**Exhibit 6**), contact person and officers (as of June 1 or as elections occur)
- Payment of the affiliation fees (invoiced in June)

VIII. FORMATION PROCESS, TOOLS AND EXHIBITS

It takes approximately three to four years for an interested local organization or group to become a formal IIA Institute, a fully authorized local representative of IIA Global. In addition to the long process, the Institute formation is exposed to risks and uncertainties such as leadership failure, lack of membership support, threat from other organizations, inability to register the Institute with local courts and gain official recognition, etc. IIA Global understands the challenges faced by the interested organizations and groups and has developed a full set of Tools and Exhibits to guide and assist formation committee and mentors in this process. A summary sheet of such Tools and Exhibits are included below. These are also available on the IIA Web Site at http://www.theiia.org/chapters-institutes/leader-support/institute-leaders/institute-formationexpansion/

Below is an overview of the Institute Formation Process with highlighted Tools and other information:
The process:

Stage 1:	***Pre-formation***
Objective:	The interested local organization/group gets qualified and becomes a Prospective Institute (PI).
Tools:	**Tool 1** and **Tool 2**
Minimum # of members:	5 members to establish a Formation Committee
Length of Time:	Approximately between 3 months to 12 months
Approved by:	Institute Relations and Global Development Department of IIA Global

Stage 2:	***Formation***
Objective:	The Prospective Institute (PI) becomes an Institute-in-Formation (IIF).
Tools:	**Tool 3** by the Prospective Institute and Tool 3A by the Mentor
Minimum # of members:	30 (at least 20 are internal auditors)
Length of Time:	Within 12 months after the status of PI is approved.
Approved by:	Board of Directors of IIA Global

Stage 3:	***Post-Formation***
Objective:	The Institute-in-Formation (IIF) becomes a formal Institute
Tools:	**Tool 4** by the IIF and Tool 4A by the Mentor
Minimum # of members:	50
Length of Time:	At least 2 years after the status of Institute-in-Formation is approved.
Approved by:	Institute Relations Committee of IIA Global

In addition to the Tools and Exhibits, IIA Global has also initiated an Institute Mentor Program to guide and support the Institute formation process. For more details of this initiative, please click the following link: *http://www.theiia.org/chapters-institutes/leader-support/institute-leaders/institute-formationexpansion/*.

All the tools and exhibits mentioned in the Formation Manual are listed below to be used by the Institutes and Mentors:

Stages	Tools	For the Institutes and its mentors	*Letters	For IIA Global	Exhibits	For the Institutes
Pre-formation	**Tool 1**	Qualification Questionnaire	Letter 1	Letter to interested Parties before being qualified	**Exhibit 1**	Institute Resolution
	Tool 2	Checklist - to Become a Prospective Institute	Letter 2	Letter to Confirm on Qualification	**Exhibit 2**	Membership Invitation Letter
			Letter 3	Letter of Confirmation on Prospective Status	**Exhibit 3**	Membership Application Form
					Exhibit 4	Membership Transfer Letter
					Exhibit 5	Sample Membership Brochure
Formation	**Tool 3**	Checklist - to Become an Institute in Formation	Letter 4	Chairman Welcome Letter	**Exhibit 6**	Officers Listing Form
Formation	**Tool 3A**	Evaluation form - **Mentor Only**	Letter 5	VP Welcome Letter	**Exhibit 7**	Guidelines on Initial Election Process
					Exhibit 7A	Guidelines for the recognition and naming of IIA Institutes
			Letter 5A	Charter for IIF	**Exhibit 8**	Sample Business Plan
					Exhibit 9	Sample Institute Bylaws
					Exhibit 9A	Bylaws Common Elements
					Exhibit 10	Memorandum of Understanding
Post-formation	**Tool 4**	Checklist-to Comply with MoU	Letter 6	Letter of Status Change	**Exhibit 11**	Optional Service Form
	Tool 4A	Evaluation Form- **Mentor Only**	Letter 6A	Charter for Institute	**Exhibit 12**	Institute Agreement
			Letter 7	Letter of Name Change	**Exhibit 13**	Membership Recruiting Letter
					Exhibit 14	Membership Reporting Template

*Letters are excluded from the Manual because they are solely used by IIA Global staff.