Suppose you are selling a service with some success. You want to increase sales, but how? You could promote the value of your services, but some may disagree and others may be indifferent. A more certain solution would be to get the government to mandate that everyone buy your services. In 1971, future Nobel Laureate George Stigler explained how regulatory agencies are captured by business:

As a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit.


I was reminded of Professor Stigler yesterday when I read in *The Mentor Blog* that the Institute of Internal Auditors had recently submitted a request that the SEC mandate internal audit functions for all publicly traded companies. The IIA acknowledges that the New York Stock Exchange has mandated that listed companies have an internal audit function (Rule 303A.07(c)) and expectedly lauds the internal audit function. What the IIA fails to do is explain why it is necessary for the government to step in and impose yet another requirement on those companies that have chosen not to implement an internal audit function.

My argument is not against internal auditors or the internal audit function. However, I don’t think that the IIA has made a case for why another government mandate is required.

A serious dearth of notice

The SEC will be holding a meeting today of its Advisory Committee on Small and Emerging Companies. In advance of the meeting, the SEC published an agenda and a request for comment. I have trouble crediting the sincerity of the request as it was issued less than one week before the meeting (which is being held on Yom Kippur).

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