



# ECIIA ACTIVITY REPORT 2014

ENHANCING GOVERNANCE THROUGH  
INTERNAL AUDIT

# FOREWORD



**This** year has been an election year at the European level. A few selected reforms were adopted before the May elections in order to deliver a safer and more transparent financial system.

The ones impacting our profession are aimed at increasing the transparency and quality of company

auditing. Amendments to the 8th EU Directive, for example, have focused on the work of external auditors. And amendments to the Accounting Directive have affected

One of our key messages has been that good coordination between internal and external audit adds real value and increases the effectiveness of corporate governance. We published a paper on this during the year that illustrates best practice in this area.

We also had regular meetings with the European Insurance and Occupational Pensions Authority (EIOPA) to review the impact of Solvency II and the role of internal audit; conducted a study with Eurosai about the cooperation between internal auditors and supreme audit institutions; and reinforced our collaboration with the European Organisation of Supreme Audit Institutions (EUROSAI) by signing a new agreement with them on 19 June 2014 in The Hague. Our annual conference in Vienna was very successful and gave our members a great

## “ Enhancing governance through internal audit ”

the way companies report on the disclosure of non-financial and diversity data.

Given these wide-ranging changes, cooperation between internal audit and the other support and assurance functions is a key challenge for the future. That is why we have been working with our stakeholders on these issues.

With audit reform on the agenda of the European Commission, for example, ECIIA organised a round table discussion on the topic at the European Parliament. MEP Sajjad Karim and Ms Nathalie Berger, Head of Unit Audit and Credit Rating Agencies at DG Market explored the implications of the reform.

In addition, we have been working with the Federation of European Risk Management Associations (Ferma) and have jointly launched a working group to analyse the impact of the new rules on audit and risk committees. The burden on committees is increasing and internal audit is now expected to provide foresight on the risks facing businesses. The combination of all of these regulations is to burden business with information overload, which is a major risk for the future. The paper based on this collaboration will be published in October.

opportunity to exchange views on the challenges and opportunities facing the profession.

The coming year is very important for us, as we will meet the new MEP responsible for audit and other representatives at the European Commission to present our profession in a positive light. We will be working on a new collaboration with the European Central Bank. And the Commission and others will issue guidance on the implementation of the new regulations mentioned above. We will represent the profession, ensuring that the role of internal audit and best practice are properly understood and taken into consideration.

I would like to take this opportunity to thank my fellow board members, the members of the audit committee, the members of the public affairs committee and all the members of the numerous sub-committees and our national institutes for their tireless commitment and support. Your work is greatly appreciated.

Yours faithfully,

**Thijs Smit**  
ECIIA President

# ECIIA MILESTONES

**1980** Presidents of institutes of internal auditing from the Benelux countries, France, Germany, Norway, Portugal and the UK & Ireland conclude that a formal structure of the existing cooperation between these countries on internal auditing should be formalised.

**1981** European Economic Community (EEC), the predecessor of the EU, issues a directive on audit that includes a specific role for internal audit. The presidents of the above institutes of internal auditing agree to establish a confederation.

**1982** Letter of intent to establish ECIIA is signed by Benelux, Finland, France, Norway and the UK & Ireland. It outlined three areas of action: to exchange information, to represent the profession at a European level, and to establish cooperation between member institutes. First meeting between ECIIA and the representatives of the EC is established

**1986** In its *Long range planning* document, the ECIIA defines 11 issues to be addressed in the coming years. These include providing services to ECIIA members on research into internal auditing and the factors affecting the development of professional internal auditing. The plan also includes the provision of training and education, professional standards, best practice, human relations, advocacy and the social responsibility of internal auditors.

**1989** EEC officially recognises ECIIA as the representative of the profession of internal auditing in Europe and asks ECIIA for input in transforming its 4th Directive into national legislation.

**1994** EU consults the public on its 5th Directive, including rules on the independence of statutory auditors and liability.

**1995** ECIIA delivers a position paper on the EU consultation on internal audit.

**1996** ECIIA provides input to EUROSAL committees on internal controls and internal auditing standards.

**1997** Upon request from EU, ECIIA provides input for its Leonardo project.

**1998** EU sets up the European Union Committee on Auditing (EUCoA) and invites ECIIA as a professional body member to this committee.

**1999** Position paper on *The internal auditor's role in the prevention of fraud* released.

**2000** ECIIA responds to the Basle Group's consultative paper *Internal audit in banking organisations*.

**2003** ECIIA presents on corporate governance and the role of internal audit to the EU Committee on Auditing. ECIIA Responds to FEE on its discussion paper *Risk management and internal control in the EU*.

**2005** ECIIA position paper released on *Internal auditing in Europe*.

**2006** ECIIA sends letter to the European Corporate Governance Forum to influence their draft *Statement on risk management and internal control*.

**2007** ECIIA publishes book entitled *The Role of internal audit in corporate governance in Europe*.

**2010** ECIIA comments on the European Commission's Green Paper *Audit policy: lessons from the crisis*. ECIIA comments on a call for evidence on cross sectorial internal governance issues from CESR, CEBS and CEIOPS. ECIIA signs a Memorandum of Understanding with EUROSAL in order to collaborate on common matters. ECIIA and Ferma issue implementation guidance on the 8th Company Law Directive for boards and audit committees.

**2011** ECIIA responds to EBA's consultation paper on internal governance. ECIIA publishes a paper with Ferma on best practice for senior managers in relation to the EU 8th Company Law Directive.

**2012** ECIIA organises a debate on corporate governance at the European Parliament: "Not one size but fit for all". ECIIA reviews the European corporate governance codes and publishes a status report on their relation to internal audit in Europe.

**2013** ECIIA publishes a thought leadership paper on the *Future of European corporate governance*. It also publishes papers on effective collaboration between internal and external audit, and about the role of internal audit in Solvency II. It responds to consultations from EIOPA, EBA. ECIIA comments on the consultation paper of EBA on *Draft Regulatory Technical Standards*.

# ABOUT ECIIA TODAY

**ECIIA's** full name is the European Confederation of Institutes of Internal Auditing. It is organised under Belgian law and its members are the national internal auditing institutes in the wider Europe area. As of today, it has 35 member institutes and it represents more than 40.000 internal auditors. ECIIA's mission is to promote the internal auditing profession at the European level.



35



40.000

# BUSINESS REVIEW

**In** 2014, ECIIA continued its close involvement in policy development in Europe. The Public Affairs Committee worked intensively in responding to European initiatives, with regular meetings with the European Commission and the European Parliament, fellow European partners and with publications dedicated to internal audit.

## ECIIA responses to EU initiatives

*European Parliament Consultation on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing*

ECIIA responded to the proposal for a directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (2013/0025 COD).

While most of the areas regulated are outside the field of internal audit, the ECIIA said the document should include protection for the chief audit executive against threats, adverse treatment and consequences. Everything possible should be done to strengthen their role, position and independence.

*EIOPA consultation paper on the proposal for guidelines on system of governance and own risks and solvency assessment*

In its response to this paper, ECIIA reminded EIOPA of the high importance of independence for the internal audit function. In this respect, internal auditing may not be performed by any other function and may not do any operational task, it said. Internal audit should have access to all information and have direct contact (formal and informal) with the board and or the audit committee.

ECIIA also recommended that EIOPA follow the IIA's International Professional Practices Framework, which provides the definition of internal auditing and internal audit processes.

*The Audit Reform voted in May 2014*

While this reform directly affects external auditors, ECIIA reminded the European authorities about the need for a clear understanding of the role of internal auditors compared with the external auditors.

*FEE's consultation paper on the future of audit and assurance*

In June 2014, ECIIA wrote to FEE as part of the consultation process to recommend that it include the role of internal auditors in the scope of the discussion. An essential aspect of assurance is the way external audit works with the other assurance functions to ensure that boards receive a full and coordinated picture of governance, risk and control.

*Amended Accounting Directive (2013/34) regarding the disclosure of non financial and diversity information by large entities (April 2014)*

ECIIA has set up a working group to deliver recommendations on the non-binding guidelines on the methodologies used in non-financial reporting and their transposition into national laws.

# BUSINESS REVIEW

## ECIIA PUBLICATIONS

### *Improving cooperation between internal and external audit*

Good coordination between internal and external audit adds real value and increases the effectiveness of corporate governance. Organisations should not see the exercise as a cost burden because it opens the road to increased transparency for stakeholders. The guidance, published in November 2013, explains the coordination role of the audit committee for the two functions and the key success factors for effective collaboration.

### *Coordination and cooperation between supreme audit institutions and internal auditors in the public sector*

Public sector internal auditors and their counterparts at supreme audit institutions could provide more effective assurance if they cooperated better, but only a minority of jurisdictions have explicit rules or legislation in place that specifically deal with how they should collaborate. This joint study by ECIIA and the European Organisation of Supreme Audit Institutions (EUROSAI), which was published in May 2014, identifies significant benefits to effective coordination and encourages audit committees to act as a catalyst for better practice in this area.

### *Upcoming guidance*

ECIIA and the Federation of European Risk Management Associations (FERMA) have launched a joint initiative to define the impact of the recent amendments to the 8th EU Company Law Directive for boards. The study will include interviews with chairs of audit and risk committees to identify best practices. Publication is expected in the final quarter of 2014.

ECIIA has launched a banking group that will work on changes in legislation after Basel and define best practice in the banking sector in Europe. Publication is expected in the first quarter 2015.

A round table will be organised in December 2014 to debate the role of internal audit in corporate social responsibility reporting. ECIIA will issue best practice recommendations from the discussion.

# BUSINESS REVIEW

## EUROPEAN GOVERNANCE MAGAZINE

Twice a year, ECIIA issues the European Governance magazine, which includes high-profile interviews and hot topics. This publication is available on the website and is distributed to the stakeholders.

The May 2014 issue dealt with sustainability reporting and the guidance of the Global Reporting Initiative. It also included an exclusive interview with MEP Ashley Fox who said “companies provide the profit and the employment that drive prosperity and we are in danger in the European Union of over regulating our businesses.” He called for a moratorium on corporate governance reform until the most recent set of European Union rules and regulations have had time to bed in.



The November 2013 issue looked at how boards and company shareholders were beginning to focus on long-term value in the wake of the financial crisis. The question for ECIIA is how internal audit can help them achieve that objective.

In the same issue, Nathalie Berger, Head of Unit, Audit and Credit Rating Agencies, DG MARKT/F4 at the European Commission, said that it was time to look at how cooperation between internal and external audit could be improved. “If we look at the role of the audit committee, this is exactly where internal and external audit can and should meet,” she said. “That is why we think the audit committee should play a key role in improving this relationship.”



# BUSINESS REVIEW

## COMMUNICATION AND EVENTS



*Meeting with the European Organisation of Supreme Audit Institutions (EUROSAI) and renewal of the Memorandum of Understanding.*

On June 19 2014, ECIIA and EUROSAI signed a new agreement to facilitate dialogue and knowledge sharing between the two organisations.

**With** audit reform on the agenda at the European Commission, the ECIIA organised a round table discussion to launch their new guidance, *Improving cooperation between internal and external audit*.

Sajjad Karim MEP hosted an event about the cooperation between external and internal auditors, which took place on 12 November 2013 in Brussels and was organised by ECIIA.

“Good coordination between internal and external audit adds real value and increases the effectiveness of corporate governance,” Marie H el ene Laimay, ECIIA Vice President, said at the event. “Organisations should not see the exercise as a cost burden because it opens the road to increased transparency for stakeholders.”

Nathalie Berger, Head of Unit, Audit and Credit Rating Agencies, DG MARKT/F4 at the European Commission, said that one of the lessons from the financial crisis was that guidance about relations between internal and external auditors were not standardised in the European Union. She explained the enhanced role that audit committees would have to play to help coordinate the two functions under the proposed reforms.

Isabelle Tracq-Sengeissen, CNCC Auditing Standard Board Vice President and a member of FEE’s Auditing Working Party, said that the key success factors for effective collaboration included, open dialogue, coordination and good communication, especially in the early stages of the audit process.



**EUROSAI President Saskia Stuiveling and ECIIA Vice President Marie H el ene Laimay during the signature in the Hague.**

### *Participation in conferences*

In May 2014, Thijs Smit, ECIIA President participated in the *Public internal control conference* in The Hague.

Regular meetings are taking place between ECIIA representatives and members of the European Commission (mainly DG Internal Market and IAS).

Meetings have taken place with EIOPA and EBA representatives in order to discuss developments in corporate governance and the role of internal auditors.

### *New communication tools*

Since October 2013, ECIIA has been publishing bi-monthly blogs on its website.



# ECIIA COLLABORATION WITH OTHER EUROPEAN PEER ORGANISATIONS

**Every** quarter, the Secretary General of the different European organisations with a stake in corporate governance meet in order to exchange views on the priorities of their organisation and the news from the Commission and the Parliament.

ECIIA representatives have participated in conferences and events organised by Ferma, ecoDa, and European Issuers throughout the year.



# ACTIVITY REPORT OF ECIIA COMMITTEES

## ECIIA GOVERNANCE

The organisation of ECIIA is made of different bodies:

### General Assembly

The members of the organisation are the National IIA Institutes, represented by their President.

### Audit Committee

### Governing Board

Board of 8 members with a President, a Vice President and a Treasurer  
7 meetings yearly.

The Board defines the strategic plan and the objectives.

### Operations

The Secretary General is appointed by the Board and validated by the General Assembly and implements the Board's decisions.

The Public Affairs Committee is chaired by the Vice President. The members are volunteers.

The current Board of Directors is chaired by Thijs Smit and is composed of:



**The President**  
**Thijs Smit**  
CAE at SHV Holding



**The Vice President**  
**Marie H el ene Laimay**  
Vice President Internal audit and Control, Sanofi



**The Treasurer**  
**Martin Stevens**  
Audit Manager at Gjensidige Insurance

### Five Board members:



**Juan Ignacio Ruiz Zorrilla**  
CAE at Telefonica Group



**Henrik Stein**  
Group Audit Director of DZ BANK AG



**Melvyn Neate**  
Independent member of the audit committee for the Office of Rail Regulation



**Angela Witzany**  
Audit Director at Sparkassen Versicherung



**Silvio de Girolamo**  
CAE at Autogrill Group

During 2014, the Board has been committed to increase the number and quality of ECIIA's publications and communication.

The Board has encouraged the PA Committee to develop relations with the stakeholders and to issue guidance on common topics.

# ECIIA PUBLIC AFFAIRS COMMITTEES

**ECIIA's** advocacy work is undertaken by the Public Affairs Committee.

The objectives of the Public Affairs Committee are to promote good corporate governance and the appropriate recognition of internal audit in European regulations and corporate governance codes with the following stakeholders:

- ✓ European Parliament
- ✓ European Commission
- ✓ EBA
- ✓ European Central Bank
- ✓ EIOPA
- ✓ ESMA

Build relationships with key institutions interested in corporate governance at European level and organise common events and joint publications:

- ✓ Ferma
- ✓ EcoDa
- ✓ European Issuers
- ✓ Business Europe
- ✓ Eurosai
- ✓ FEE

The members of the Public Affairs Committee are:

- Thijs Smit
- Marie H el ene Laimay
- Pascale Vandebussche
- Henrik Stein
- Ian Peters
- David Lyscom
- Hans Joachim B usselberg
- Alessandro Busetti
- Louis Vaurs
- Thierry Thouvenot
- Melvyn Neate
- Norbert Wagner
- Juan Ignacio Ruiz Zorrilla
- Robert Kollar
- Silvio de Girolamo

Some sub-committees have been created:

- A Eurosai Committee with Soledad Llamas and Elena Lucas
- A Solvency II Committee with Alessandro Busetti, Atila Kas, Sonia Vicente Alonso, Eric Burlot, Ann-Marie Andtback Beckmann, Carolyn Fiddes and Enrico Parretta.

The Public Affairs Committee has met five times via conference calls and twice physically.

Its main achievements are that regular contact is now made with the various European stakeholders and also the publications that have been issued. For each publication, a workgroup is set up and the draft paper is reviewed by the different ECIIA members for comments and validation.

A status report is updated regularly based on the news from the stakeholders and the PA Committee meetings.

The monitoring of the European news is performed with the assistance of an external provider that informs us about all the news that might impact the profession.

# OUR MISSION

To be the consolidated voice for the profession of internal auditing in Europe by dealing with the European Union, its Parliament and Commission and any other appropriate institution of influence and to present and develop the internal audit profession and good corporate governance in Europe.

IIA Austria  
IIA Azerbaidjan  
IIA Belgium  
IIA Bosnia and Herzegovina  
IIA Bulgaria  
IIA Croatia  
IIA Cyprus  
IIA Czech  
IIA Denmark  
IIA Estonia  
IIA Finland  
IIA France  
IIA Germany  
IIA Greece  
IIA Hungary  
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IIA Italy

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European Confederation of Institutes  
of Internal Auditing (ECIIA)

Koningsstraat 109-111  
Bus 5, BE-1000  
Brussels, Belgium

[www.eciia.eu](http://www.eciia.eu)

