Annual Report

18/19
At ECIIA we feel it is our mission to do as little harm to our planet as possible. We feel now is the time to act and we cannot leave the responsibility to third parties. That is why the 2019 Annual Report is for the first time 100% sustainable.

Finance can make the difference

Cut in Gas Emissions
Minimum 40% cut in greenhouse gas emissions compared to 1990 levels.

More Renewable Energy
At least a 27% share of renewables in final energy consumption.

Energy Economy
At least 30% energy savings compared with the business-as-usual scenario.

What are environmental, social and governance (ESG) factors?

Environmental
- climate change
- greenhouse gas
- emissions
- resource depletion, including water
- waste and pollution
- deforestation

Social
- working conditions, including slavery and child labour
- local communities, including indigenous communities conflict and humanitarian crises
- health and safety
- employee relations and diversity

Governance
- executive pay
- bribery and corruption
- board diversity and structure
- fair tax strategy

Environmental Compromise
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Source:
Resident's Vision

This was my last year on the Governing Board of the ECIIA, and I want to take this opportunity to share my ambitions for ECIIA with each of you, Chairmen and CEOs of the National Institutes members of our Confed-
eration.

The objectives of my mandate were very clearly (i) raising the effectiveness of ECIIA through closer collaboration with the mem-
bers, (ii) strengthening the European ERM community, and (iii) providing a European thought leadership in internal audit and cor-
porate governance.

In a rapidly moving world, where only change is stable, internal auditors are more than ever expected to deliver a reliable and independent as-
surence for compliance and corporate governance, including in the emerging ar-

Therefore, they need to embrace agile and new thinking.

Our global context in Europe is defined by a wealthy economy, and a fierce competition from all over the world, but also amongst the European nations. In addition, the past two years witnessed a complex mix of increased regulatory, volatile ecosystems and geopolitical threats. Furthermore, the Brexit discussions demonstrated our diffi-
culty to adopt a “common good” solution, or even to anticipate what should be reasona-
ably implemented, despite our multiple recog-
nised talents in the whole continent!

Our context is also uniquely influenced by the European institutions. The Parliament and the Commission promote good govern-
ance and a better planet, and hence are very active on non-financial and sustai-

able reporting. To encourage companies moving boldly into this area, we launched the European Corporate Reporting Lab, as a new platform to stimulate initiatives in the corporate reporting, and also the Task Force on Climate Related Disclosures to define how companies should consider cli-

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tate related scenarios and report them in sustainability reports. These initiatives are important for our profession, as our stake-
holders look for reliable information and in-
dependent assurance.

On another hand, the European digitisation initiatives (GDPR, NIS) already impact our profession and require broader skills, addi-
tional capabilities and eventually new think-
ing.

Finally, could we recap the European global context and not mention the financial sec-
tor? It is indeed continuously disrupted, with effects trickling down to internal audit. We closely work with both the ESA and the ECIIA, whose role as supervisory and regulatory authorities of the banking sector is crucial. We particularly run a yearly forum with them, giving the CAES of ISSM banks a unique op-
portunity to network at a pan-European lev-
el, and discuss on pertinent challenges and new guidelines such as outsourcing, or ICT/ security risk management.

The banking forum is a successful mock-up of what we plan to organise for other sec-
ctors at the European level, starting with In-
surance and Public sector, for which ECIIA hosts two efficient committees in order to exchange best practices among internal au-
ditors of the same sector, as well as to act and lobby vis-à-vis the concerned authori-
ties.

It is also the same spirit which transforms every year one national conference into an ECIIA conference. Of course, as the audi-

ence is wider and the needs more versatile, the exercise respects different specificities. When you read this annual report, the ECIIA 2019 Luxembourg conference will just have ended, showing that a small country can organise an ECIIA conference, like NIA Spain did in October 2018 in Madrid, reach-
ing record results in terms of impact on the pro-

We can bring to our companies and agencies by collaborating together in Europe, Togeth-

er stronger.

Although the EU legislative process is some-
what lengthy and complex, we succeeded in implementing various regulatory improve-
ments to the benefit of our members through our advocacy initiatives.

We also raised the visibility of ECIIA by implementing a new collaborative website and by using more extensively social media. Therefore, leveraging on the expertise built in the National Institutes, we adopted the collaborative tool Workplace selected by the IFACI. Much more widely, let’s acknowledge the great expertise available in the European countries, which breaks the barriers of the frontiers and enlarges the geography, so, by fostering European collaboration inside the network, we shall collectively extend our professional visibility to deliver a reliable and independent assurance to our companies and agencies.

Finally, I would like to express my deep ap-
preciation to all members and volunteers, as well as to the small although smiling perman-
ent team of the ECIIA, for their dedication in implementing various regulatory improve-
ments to the benefit of our members through our advocacy initiatives.

President

“In a rapidly mov-
ing world, where only change is stable, internal auditors are more than ever expected to deliver a reliable and independent assurance for compliance and business effectiveness.”
This year has been a very active and productive one for our organisation, both internally and externally.

We have grown our team with the recruitment of a new Communication and Marketing Assistant.

We have moved to new offices, joining forces with ecoDa (European Confederation of European associations of risk management) and the European Institutes’ Research Group, to be a louder voice for internal audit at European level.

Position papers are one important tool for us to explain our thinking to a wide audience. We have issued new Guidelines for Internal auditors in the Insurance sector, to facilitate discussions on the new Solvency II Regulations, a position paper on the role of the Audit Committee in the Public Sector in promoting good corporate governance; and we have established a strong presence among European Think Tanks and Expert Groups to be a louder voice for internal audit at European level.

Collaboration with our members has been strengthened over the course of the year, in particular through regular exchanges with the European Institutes’ Research Group, participation in the European CEOs’ meetings and dialogue with the different National Institutes.

ECIIA now represents more than 47,500 members; and we have established a stronger presence among European Think Tanks and Expert Groups to be a louder voice for internal audit at European level.

The objectives of the incoming Commission have not yet been announced, but they will be crucial in shaping our priorities for the coming years. In the period ahead, we will want to focus on a number of key themes:

- Sustainability is one of the most important challenges that we face, and the European Union has recently launched an ambitious sustainable finance action plan.
- Digitisation may well feature high up on the EU agenda, with measures towards a green ICT sector, the management of the data for the environment and climate actions, regulations on the use of artificial intelligence in Europe and an assessment of the data protection regulations. It will not only have an impact on the audit process but also on the profile, skills and professional development of internal auditors.
- In the banking sector, the shifting regulatory landscape and rapid changes in technology will drive the need for an increasingly close and co-operative relationship with the regulator. Indeed, the scale and pace of change will force internal audit to transform not only their areas of focus but also the way in which they work.
- For insurance, the review of the Solvency II framework has wide-ranging implications for the governance of the sector as a whole, and will bring changes to the role of internal audit within insurance companies.

We will continue to work on these and other issues with our members; and to take every opportunity to facilitate productive exchanges among volunteers, the membership as a whole, and the wider community of interest across Europe. In doing so, we are mindful that all our work is only possible due to the active support and collaboration of members in Committees, in Workgroups and among the wider membership. We are extremely grateful to you all.

Thank you and let’s continue together in our mission: “enhancing corporate governance across Europe through effective internal audit.”

ECIIA 2018/2019

Pascale Vandenbussche
Secretary General
Management Board

The Confederation is managed by a Management Board composed of 10 members: 5 from each National Institute with the highest number of members and 5 from other Institutes. The directors are appointed by the General Assembly for a period of 2 years, renewable twice. This year the Board welcomed a new representative from IIA Italy. They have met 7 times and twice with the European CEOs from member Institutes.

Main Activities

The Management Board has the power to undertake any act necessary or useful to achieve the purpose and objectives of the Confederation. The Board sets the strategy, supervises and guides the activities of ECIIA. The main objectives are to reinforce the mission of ECIIA and to improve good governance and internal audit through increased collaboration between its members.
Public Affairs Coordination Committee (PACC)

Our Public Affairs Coordination Committee supports the mission of ECIIA to develop European governance best practices by reacting to, and developing initiatives in the field of internal audit at an European level. The objective is to promote the internal auditing profession by being recognised by European regulators and legislators as a credible, objective voice for the internal audit profession, and increasing awareness and perceived value to the various stakeholders. The Committee is made up of representatives of our members providing feedback from practice. They work closely with European regulators to give opinions on key internal audit trends and to promote best practices. The PACC has collaborated consistently with the European Institutes Research Group since 2018.

Main Activities

The Committee monitors the activities of the European advocacy targets by identifying public policy issues and concerns affecting internal audit in Europe, prioritising those issues and concerns, and defining those that the ECIIA should focus its attention and resources on. The Committee provides feedback and input on public policy and strategy via conference calls and online collaboration. They create the advocacy action plan based on the annual objectives set up with the Board of Directors. In order to voice the professional views of European internal auditors, the Committee defines the best way to cooperate with the EU institutions. Where editors, the Committee defines the best way professional views of European internal auditors on. They create the advocacy action plan as well as the implementation of the 3 lines of defence model for an independent assurance.

ECIIA has participated in various conferences and debates on non-financial reporting, climate change impact on reporting and exchanges regularly with the new European Task Forces (Corporate Reporting Lab, Task Force on Climate Financial Related Disclosures). The Committee monitors the activities of the European Institutes Research Group since 2018. The Committee is also working on defining the European governance best practices by recommending that the guidelines should be based on a risk analysis and not just on materiality. We also mention that there is no one size fits all approach and we promote the integrated thinking approach as well as the implementation of the 3 lines of defence model for an independent assurance.

The Committee has contributed to the DG FISMA consultation on “Targeted consultation on the update of the non-banking guidelines on non-financial reporting”, which was updated in June 2019. Our reaction was mainly to recommend that the guidelines should be based on a risk analysis and not just on materiality. The PACC is also working on defining the European governance best practices by recommending that the guidelines should be based on a risk analysis and not just on materiality. The Committee monitors the activities of the European Institutes Research Group since 2018. The Committee has contributed to the DG FISMA consultation on “Targeted consultation on the update of the non-banking guidelines on non-financial reporting”, which was updated in June 2019. Our reaction was mainly to recommend that the guidelines should be based on a risk analysis and not just on materiality. We also mention that there is no one size fits all approach and we promote the integrated thinking approach as well as the implementation of the 3 lines of defence model for an independent assurance.

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The surveys and interviews are carried out in Europe and received 528 responses this year. This year the 3 top risks identified are:

- Sustainability is one of the most important topics we will face in the upcoming years and the EU launched an ambitious sustainable finance action plan.
- Cybersecurity & data privacy: rising expectations of internal audit regulators, more transparency of their expectations and concerns, and defining those that have developed the new edition of the “Risk in Focus 2020” inside the European Institutes Research workgroup and with the ECIIA brand.
- The PACC is also working on defining the key advocacy priorities for the new European Parliament and Commission: the increasing regulatory burden.

The global coverage of the organisation activities is also key as the whole supply chain will be targeted.
Audit Committee

The Audit Committee

The Audit Committee is composed of 3 delegates of full members that are freely elected by the General Assembly on the basis of a list of candidates submitted by the Board of Directors.

Main Activities

The Audit Committee informs the General Assembly on the adequacy and effectiveness of the Board of Directors’ internal controls and assists and advises the Board of Directors on the preparation of accurate financial reporting in compliance with all applicable legal requirements and accounting standards.

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Hans Nieuwlands
IIA Netherlands
Chair

Linda Lundin
IIA Sweden

Norbert Wagner
IIA Austria

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The Nomination Committee oversees the appointment process for members of the Board of Directors and Audit Committee.

Nomination Committee

The Nomination Committee is composed of 3 delegates: the President of the Association, a representative from the Board of Directors and a representative from the European CEOs’ Group. They are freely elected by the General Assembly from a list of candidates submitted by the Board of Directors.

Main Activities

The Nomination Committee oversees the appointment process for members of the Board of Directors and Audit Committee.

At our next General Assembly, there will be two new representatives from the big member Institutes (France, UK & Ireland) and there are two open seats in the Board of Directors.

The members of the Nomination Committee will be renewed at the next General Assembly.

Nomination Committee:
- Farid Aractingi (IAPSI, ECIIA President)
- Ellen Brataas (IIA Norway)
- Melvyn Neate (IIA UK & Ireland, Chair)
The Banking Committee meets regularly with the European Central Bank (ECB) and with the European Banking Authority (EBA) representatives to exchange views on new issues and new regulations.

For the second time, ECIIA organised the European Forum for Internal Audit, Banking Regulation and Supervision, under the topic: “European Forum with the European Banking Regulator and Supervisor: Preparing for the Future”, in September 2019. This second edition welcomed 90 CAEs together with representatives from ECB and EBA.

The Committee has reacted to a guideline on outsourcing from EBA (EBA/CP/2018/11) and recommends putting more emphasis on the role of the first and second lines of defense in the oversight of outsourced activities. More specifically speaking, management should be in charge of the operational side of the outsourcing arrangements, while risk management and other compliance functions should monitor whether the process is performed properly. Internal audit must focus on the assurance of the outsourcing framework in terms of the risks that may be being taken.

In addition, ECIIA urged EBA to lighten the principles for outsourcing arrangements between different entities within a group of companies because of the lower risk exposure this creates compared to external outsourcing. Similarly, a distinction should be made for outsourcing services within the European area for those highly-regulated services – such as IT and financial modelling – and other services.

ECIIA also reacted on the consultation on ICT/security risk management guideline and has insisted on the implementation of the 3 lines of defence model to strengthen the corporate governance and reduce the risk. The cooperation, in particular, between the second and third line has been recommended.

ECIIA also participated in a public consultation of the guide on internal models, published by the ECB in November 2018. The key message was the role of internal audit vs the other lines for the validation of new models.

The Committee is composed of CAEs from European Banks. The Committee aims to be the consolidated voice for the profession of internal auditing in the Banking Sector in Europe and a respected partner for the European regulatory bodies. They represent and develop the internal audit profession and good corporate governance by providing feedback from auditing practice in European Banks.

Main Activities

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The Insurance Committee promotes the professionalism of the internal audit function in the European insurance sector.

The Guidance on Internal Audit in the Insurance Industry publication aims to enhance the overall effectiveness of Internal Audit, and its impact in the European Insurance industry. It interprets the high level principle based requirements for Internal Audit functions in the insurance undertakings, set under the Solvency II framework. Nevertheless, there is no one size fits all solution and it should be applied in accordance with the national legislation and corporate structures applicable.

The guidance is important while the sector is preparing for the review of Solvency II in 2020.

The Committee meets regularly with EIOPA and the local Supervisors to exchange views on the impact of Solvency II implementation for the profession in Europe and good corporate governance.

The Committee has published a Guidance on Internal Audit in the insurance industry. The publication aims to enhance the overall effectiveness of Internal Audit, and its impact in the European Insurance industry. It interprets the high level principle based requirements for Internal Audit functions in the insurance undertakings, set under the Solvency II framework. Nevertheless, there is no one size fits all solution and it should be applied in accordance with the national legislation and corporate structures applicable.

The Committee is made up of CAEs from the Insurance sector in Europe. The Committee is responsible for ensuring the internal audit profession from the insurance sector in Europe is heard by the EIOPA, the European insurance regulator. The Insurance Committee promotes the professionalism of the internal audit function in the European insurance sector through knowledge sharing between the member Institutes and practitioners. The Committee expresses the views of the profession on relevant regulatory guidelines and papers.

Main Activities

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The Public Sector Committee's objectives are to promote good governance and internal audit across the European public sector (initially focused on central governments and administrations) and to develop guidance papers to be used as advocacy tools locally. It is made of internal audit practitioners from various European countries, active at national or European level. The European Organisation of Supreme Audit Institutions (Eurosai) Committee is now part of this Committee as from April 2018.

Main Activities
The Public Sector Committee has issued a position paper on Audit Committees in the Public Sector. The document aims to promote the potential role of Audit Committees as effective contributors to good governance. It describes the situation in various countries, in terms of composition, role and responsibilities. It also describes best practices and the benefits Audit Committees can bring as well as obstacles to their establishment. The paper and the supporting documents aim to advocate locally, cross Europe, the creation of Audit Committees in various countries.

Figure 3 — Cover of the Audit Committees in the European Public Sector position paper
EUROSAI: Public Sector Sub-Committee

The cooperation between EUROSAI and ECIIA focuses on the way SAIs and internal auditors can work together to promote mutual understanding and better governance across Europe, supported by their regional networks.

Main Activities

They have started a common project to assess the extent to which Integrated Reporting (IR) has been adopted in the European public sector and to promote best practices. A survey will be launched soon and the results will be shared in a common forum in 2020.

The EUROSAI TFMA (Task Force Municipal Audit) has made, together with ECIIA Public Sector Committee member, a comparative article about internal audit in local government and the differences between UK and Nordic countries. According to a EUROSAI TFMA study (which was carried in late 2017 and covers 25 countries) there are various models of external audit of local government. External audit of local government is conducted by SAIs, private auditors, other institutions; all of them have different mandate and audit practice.
The GDPR Working Group aims to formalize internal audit professionals’ views regarding the role of internal audit.

Main Activities
ECIIA, in collaboration with FERMA, have conducted a GDPR research with selected contributors across Europe. The main objectives of the research are to collect “best practices” regarding the role of internal audit, risk management and good governance for the GDPR implementation, in order to promote good governance alongside the GDPR.

We will, based on the results of the survey and on key interviews, develop a short guide to be used as an advocacy tool for the new GDPR guidelines.

GDPR Working Group
The GDPR Working Group aims to formalize internal audit professionals’ views regarding the role of internal audit, after one year of implementation of the European Directive (Global Data Protection Regulation).
Our Mission

The Association intends to be the consolidated voice for the profession of internal auditing in Europe and to promote the role of internal audit and good corporate governance by dealing with the European Union, its Parliament and Commission and any other European regulators and associations representing key stakeholders. It has a non-profit making purpose.

We are all around Europe.

We have 34 members.
We represent 47.700 Internal Auditors.