

Brussels, June 10, 2020

**A. Deckers**

Head of Unit C1 – Corporate Reporting, Audit and Credit Rating agencies  
 DG FISMA-European Commission  
 Rue de Spa 2  
 1000 Brussels  
 Belgium

**Subject: European Commission consultation on the revision of the non-financial reporting directive**

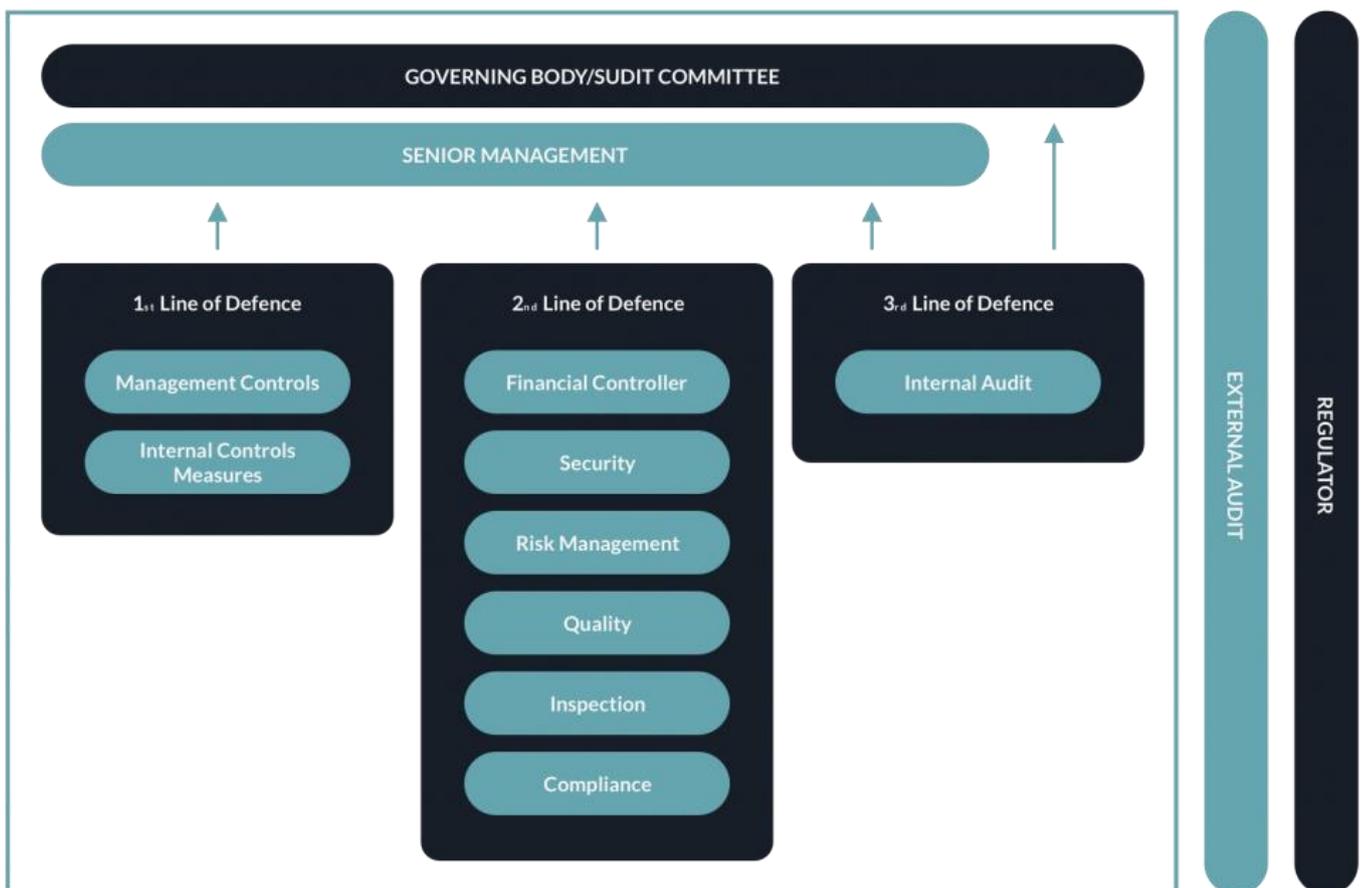
Dear Mr Deckers,

The European Confederation of Institutes of Internal Auditing (ECIIA) is a confederation of national associations representing the internal audit profession across Europe. We cover 34 countries and have a combined membership of 47,000 individual and corporate members. Our primary goal is « 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».

We were pleased that the Commission has consulted on the revision of the non-financial reporting directive.

The profession we represent plays a central role in the assessment of governance, risk and control and has an important contribution to make to the policy debate on this front, specially in the section 4 related to assurance.

In particular, the ECIIA promotes the implementation of the internationally recognised **3 lines of defence model** summarised below.



In this model, the first line is responsible for day-to-day monitoring of the operations, data collection; the second line of defence provides support to the Management with expertise on the management of risks. They will assist in specific areas related to non-financial information: the development, monitoring of the risk management practices (policies, standards and framework) and the achievement of risk management objectives( compliance with laws, ethical aspects, information and technology, sustainability. . .).

The third line of defence - internal audit - is responsible for assessing that the first and second lines are functioning adequately. Internal audit will assess the governance and controls of the risks linked to environmental matters, social and employee related aspects and human rights, anti-corruption, and bribery. They will give an independent and objective assurance, advice and insight on the adequacy and effectiveness of governance and risk management; and will make recommendations for improvement actions.

Internal auditors perform their activities based on the International Professional Practices Framework (\*) and assist the Board and Management assessing the risk management, internal control, reporting system, fairness and materiality of the information included in the non-financial reporting. They also assist the Board coordinating the various assurance providers (external and internal) to ensure proper coverage and avoid duplication of efforts.

We believe that the assurance framework is key to guarantee the accuracy in monitoring, measuring, and reporting and to assess the integration of ESG elements in the strategy and operations. Stakeholders need to be confident about all these elements of Non-Financial Reporting and it can only be provided by a strong assurance framework and a clear governance process. There is no one size fits all solution, but each company should implement the right framework and inform the stakeholders. The 3 lines of defence can help them in this exercise.

In this context, we recommend integrating this dimension in the revision of the Directive and to further elaborate on the assurance framework (internal and external).

Against that background, we would welcome the opportunity of a discussion with you and relevant colleagues in the Commission about our comments on the dossier; about how best to ensure that the European Union takes a comprehensive, coherent and joined-up approach to these critical issues, drawing on the perspectives, skills and experience of all relevant actors; and about how the internal audit profession can make the biggest and most effective contribution to the collective effort.

We look forward to hearing from you.

**P. Vandebussche**

ECIIA Secretary General

**T. Thouvenot**

ECIIA President

(\*) : International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by The IIA (<https://global.theiia.org>)