



Brussels, May 31, 2023

To: International Internal Audit Standards Board (IIASB)
L. Bi Executive- Vice President, Global Standards, Certifications & IA Foundation
J. Faleato- Executive Vice President. Affiliate Relations & Global Advocacy
K. Seeuws-Vice President, Standards & Guidance

Dear colleagues,

First of all, we would like to thank all the people involved in the revision of the Standards and congratulate the whole team for the solid consultation process and opportunity to react to the draft Global Internal Audit Standards (GIAs).

The ECIIA mission is to advocate strong corporate governance in Europe and the role of internal auditors. To do that, we work very closely with European Associations in Brussels and have implemented the corporate governance house, together with ecoDa (European Confederation of Directors Associations), in order to align and reinforce the messages towards the European regulators.

In our exchanges with the advocacy stakeholders, corporate governance is the heart of the discussions. In this context, we do not believe that we possess the capabilities to react in detail on the new standards, and that our members, who are closer to the practitioners, are better positioned.

Nevertheless, the ECIIA Public Sector Committee has filled in the survey and the ECIIA Insurance Committee has reviewed the GIAs. Besides, the IPPF is important for us in explaining and demonstrating the unique role of internal audit.

Next to the general conclusion that the GIAs present a strong framework for the future of our profession, we also would like to share some concerns listed by the committees and the ECIIA Board. A brief overview is described below in this letter.

GIAs STRUCTURE

The new GIAs are very detailed and prescriptive. They include not only the mandatory requirements, but also a description of preferred practices and criteria for implementation of these requirements. This can blur the message and create confusion, especially for the “evidence of conformance” which might lead to misunderstandings in terms of internal audit function requirements. The principle-based approach is less clear in the new proposal than it was in the standards of the IPPF.

PROPORTIONALITY

The management of small audit shops and outsourced audit shops should be more detailed as it remains the case in many organisations in Europe.

ASSURANCE AND ADVISORY SERVICES

The new requirements (Section II - Principle II, and Section V) for the Advisory services, are too restrictive. Most of the time, they are performed on request of the Boards/Audit Committees/Senior Management and the report does not contain ratings. Sustainability is a good example where internal auditors provide insight and perform Advisory services (in non-mature companies). In this domain, a report with a rating is not relevant. We recommend to maintain the current flexibility for these engagements.





COORDINATION WITH AND RELIANCE ON OTHER ASSURANCE PROVIDERS

The 3 Lines Model is an important tool to advocate the profession and to explain the role of internal audit. We recommend to make references to the model in the section regarding the coordination with other assurance providers.

We also believe that the introduction of a mandatory requirement regarding the reliance on other assurance providers will be difficult, not to say impossible, to implement in regulated sectors and in the sustainability context where an assurance chain must be build up.

GOVERNANCE OF THE INTERNAL AUDIT FUNCTION

In Europe, Boards have more and more responsibilities and liabilities (e.g., the new European upcoming regulations : CSRD, CSDDD...) and it is important to define the relation with internal audit functions. There is however no “one size fits all” model, taking into consideration that:

- in most European countries, national corporate governance codes have been implemented, defining the relation between the internal audit function and the audit committee (or its equivalent). There is unfortunately no harmonization in Europe;
- in Europe two governance systems exist for Boards : One Tier and Two Tier systems;
- depending on the size of the company and the maturity of the governance model, the relation between the CAE and the Board may differ.

The relationship with the Board/Audit Committee should indeed cover the corporate governance model and the way oversight over the internal audit function is achieved. In several cases, the current “must” requirements are new in the GIAs and not within the CAE’s control; they also may conflict with local legislation.

Therefore, the new GIAs should be more flexible: the current “must” is too strong. We recommend to introduce a “comply or explain” rule or to replace the “must” by a “should”.

We thank you in advance for considering our recommendation and remain at your disposal for any question you would have.

As said before, ECIIA strongly believes in the relevance and importance of strong GIAs. To be able to use them in advocating the profession, an equally strong governance around ensuring, monitoring and testing conformance is recommendable.

John Bendermacher RA CIA CRMA

ECIIA President

