ECIIA Advocacy Achievements and the Three Lines of Defense Model

IIA Lithuania Conference
Vilnius
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2011 Advocacy Committee

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- Hans Joachim Büsselberg
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- Jean-Pierre Garitte
- Richard Nelson
- Ian Peters
- Ivo Streda
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- Louis Vaurs
- Norbert Wagner
ECIIA Advocacy Goals

• Develop and maintain international relations in Europe through collaboration and influence.

• Final objective: Internal Audit be recognized in European Council Directives as a cornerstone of effective governance.

• Intermediate objective: Internal Audit be recognized as a major source for objective risk and control assurance in relevant supervisory advice/guidance, respectively position papers, issued by EC advisory bodies and the European business community at-large.
ECIIA Advocacy Targets

Primary Targets

- European Commission
- Parlamentum Europaeum
- EBA
- EIOPA
- ESMA

Secondary Targets

- ecoDa a.s.b.l.
- EuropeanIssuers
- BUSINESSEUROPE
- ECGF
- EURSAI
- FEE
- Federation of European Risk Management Associations
ECIIA and

Road Map 2011:

*Visit MEP ECON to raise interest*

*Presentation to ECON committee, following visit to MEP*

*Visit MEP JURI to raise interest*

*Presentation to JURI committee, following visit to MEP*
ECIIA and European Commission

Road Map 2011:

- Influence / comment on Green Paper for listed companies “The EU corporate governance framework” (5/4/11)
  - Risk management
  - ‘Comply or explain’ approach
  - Functioning of Boards
- Follow-up on Green Paper “Corporate Governance in financial institutions” (1/6/11)
  - Mandatory risk committee
  - Reinforcement of ‘comply or explain’ principle: minimum percentage of compliance
- Visit DG Markt / F2 to make sure our voice is considered proactively
- Conference on Company Law (16-17/5/11)
ECIIA and

European System of Financial Supervision

Road Map 2011:

- Formal visit to respective authorities’ chairs
- Offer proactive contribution to development of papers
- Provide commentary on other papers
ECIIA and European Corporate Governance Forum (ECGF) of the European Commission

Road Map 2011:

- Visit at least 1 member, exploring potential cooperation
- Objective: how to get through the ECGF to the EC?
ECIIA and

Road Map 2011:

- ECIIA accepted as ecoDa member in February 2011

- Invitation to speak at ecoDa’s Audit Committee event on 9 June 2011

- Participation of ECIIA in selected ecoDa’s working groups

- Objective: how to get through ecoDa to the EC?
ECIIA and

Road Map 2011:

- Collaboration agreement signed in Rome on 7 March 2011 with media coverage
- Develop joint action plan
- Joint research project planned for 2011
ECIIA and

Road Map 2011:

- One joint research project on “Use of 3LoD by Executive Management”

- Objective: stay close to FERMA now that risk management is gaining momentum at the EC level
Establish contact and permanent relationship with three representative journals

Have visible publications related to our advocacy efforts

Redesign “The European”

Redesign ECIIA website
Road Map 2011:

• Restructuring of Magazine to new primary target of outside stakeholders with objective of strong communication promoting good Corporate Governance
• New name
• Introduction of Corporate Governance Citizen Program
Communication Tools

ECIIA Web Site

Restructuring of form and content for new primary target of outside stakeholders
ECIIA’s Primary Formal Advocacy Message

The Three Lines of Defense Model

1st Line of Defence
- Management Controls
- Internal Control Measures

2nd Line of Defence
- Financial Control
- Security
- Risk Management
- Quality
- Inspection
- Compliance

3rd Line of Defence
- Internal Audit
- External Audit

Board / Audit Committee
Senior Management
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Board / Audit Committee

Senior Management

Regulator

1st Line of Defence

2nd Line of Defence

3rd Line of Defence

External audit

Management

Controls

Internal Control

Measures

Compliance
Operations management has ownership, responsibility and accountability for:

- Assessing risks
- Controlling risks
- Mitigating risks
1st line
Operations management

Key features

• Promotes a strong risk culture and focus on sustainable risk-adjusted operations

• Promotes a culture of adhering to limits and managing risk exposure

• Ongoing monitoring of positions and management of risks
2nd line
Risk Functions

Provide support and independent challenge on

– Risk assessment
– Risk appetite and strategy
– Risk reporting
– Adequacy of mitigating plans
Key features

• Overarching 'risk oversight unit' takes an integrated view of risk

• Risk management separate from risk control

• Supports through developing and advising on risk strategies
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Provides independent assurance on

- 1st and 2d lines of defense
- Appropriateness and effectiveness of internal controls
- Effectiveness of policy implementation
3rd line Internal Audit

Key features

• Independent assurance on the activities of the ministry / department

• Assesses the appropriateness / effectiveness of internal controls
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