

ECIA presents

# Annual *Report*

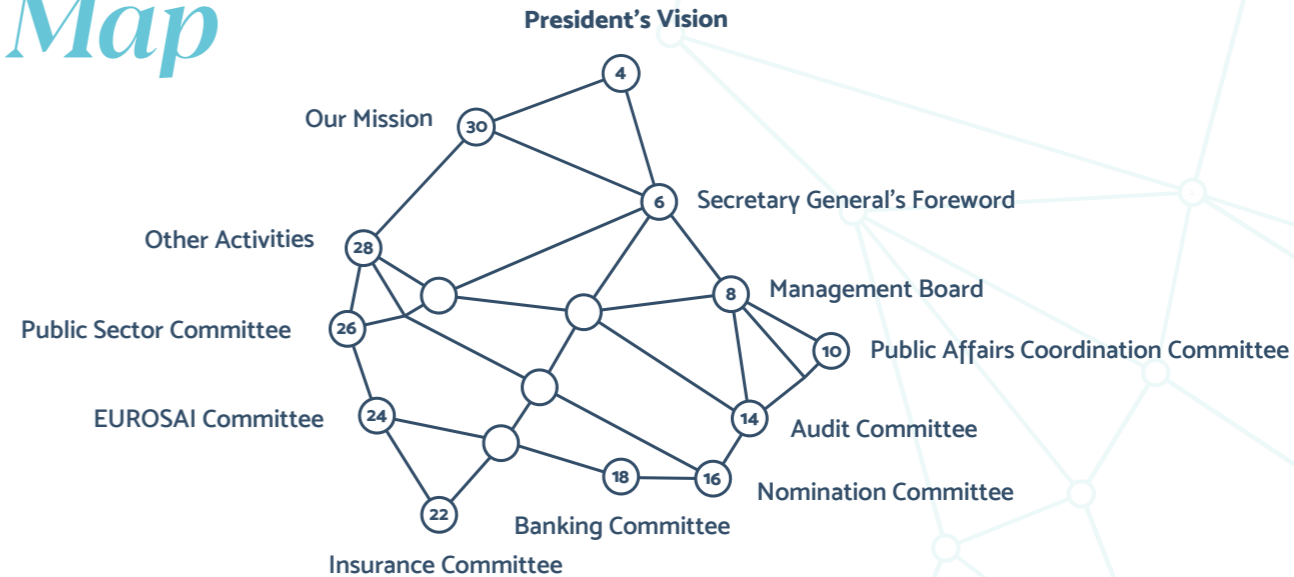
2017/18



presents

## 2017/2018 ECIIA Annual Report

# Report *Map*



# President's Vision

After spending four years on the Governing Board of the ECIIA, let me share this one and strong conviction with each of you, Chairmen and CEOs of the National Institutes members of our Confederation: given its contribution to the civilisation as well as to the global economy, Europe is a unique continent. And ECIIA resiliently stands at its heart, promoting good corporate governance through internal audit, as a key performance tool for the

various organisations that create value in each of your countries.

The challenges facing Europe are multi-faceted, while our continent went through a cycle of several crises during the past two decades. In summary, a complex combination of increased regulation, volatile ecosystems and geopolitical threats. Yet, we did persevere, discovering and showing that confronted

with adversity, cooperation is key to success. The next challenge is likely to be the UK's withdrawal from Europe. The so-called Brexit discussions dominate the debates in Brussels, given the looming deadline of March 29th, 2019. Considering the importance and size of the United Kingdom in the continent, as well as its contribution to the ECIIA since its foundation, it will have a major impact, probably both as a threat and an opportunity.

Therefore, our Confederation will have to evolve and adapt to all these changes, while serving the diverse needs of its members. Indeed, "diversity" and "focus" are two keywords we

need to conjugate and organise around. During my term as President, I want to build a stronger platform for our profession in Europe, by promoting increased collaboration between ECIIA members.

The ECIIA's successes already come from such collaborations. For example, the efforts of the various volunteer work groups are directly steered by the Public Affairs Coordination Committee (PACC) to deliver position papers or organise sectorial forums. The annual conference is managed by a different National Institute each year. And National Institutes often collaborate to produce knowledge that is then shared to benefit our →

entire community, giving a wider audience and impact to documents stamped ECIIA. These projects are on a much larger and more effective scale than those that could be achieved by a small, central team working in isolation in Brussels!

New regulations – and most regulations impacting the profession come from European regulators – are changing the role of internal auditors. We are expected to strengthen our focus on compliance, while developing a deep understanding of the strategy, business stakes, and culture of our organisations. Therefore, we need to help both the organisations and the regulators to define the new role

of internal auditors in Europe's regulatory context.

More concretely, the work programme of the European Commission for 2018 was two-fold. First, it set out a limited number of targeted legislative actions to be completed before the European elections of June 2019. Second, it presented a number of initiatives that have a more forward-looking perspective. Among these initiatives, those impacting our profession relate to the Digital Single Market and the Transparency in the corporate reporting.

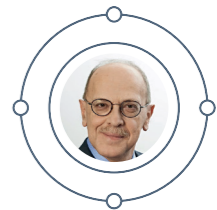
In parallel, European banking supervision has focused on good governance and risk management. To

this end, the European Central Bank (ECB) has upgraded its Single Supervisory Mechanism (SSM) to ensure the direct and consistent application of rules for all banks under its remit. The ECB impacts the role and positioning of internal audit departments, as they are dealing with an important new actor.

To help auditors working in the banking sector – and in other industries – ECIIA runs sectorial European Committees to coordinate our advocacy efforts. Although the EU legislative process is lengthy and complex, we have succeeded in implementing various regulatory improvements to the benefit of our members through

such advocacy initiatives.

Finally, I would like to express my deep appreciation to ECIIA members and volunteers for the valuable contribution and dedication they provide in promoting the role of internal auditors in Europe. It is only by joining our forces and acting together that we can make a real change and contribute to building a better Europe that delivers for all! ○



**Farid Aractingi**  
ECIIA President

# Secretary General's Foreword

Once again, 2017/ 2018 have proven to be very busy and productive years for ECIIA.

We have changed our advocacy governance structure by running the ongoing work of the European Committees by sector, such as banking, insurance and the public sector, and creating ad hoc working groups on issues such as non-financial reporting and governance as needed. This better coordinates our European advocacy efforts. Collaboration with members has been strengthened by monthly exchanges with the European Institutes' Research Group.

The Confederation continues to be recognised for its productive advocacy work, intelligence gathering and networking opportunities.

Among EC initiatives, those impacting our profession relate to the Digital Single Market and Transparency in corporate reporting. Looking back at 2017/2018, we have addressed our main priorities:

- The EC's Non-Financial Reporting Guidelines,
- The implementation of the EC's Network and Information Services Directive and the General Data Protection Regulation (GDPR) →

• The consultation on the framework for the free flow of non-personal data in Europe

• The new guidelines from ECB : draft guide on internal models

• The new guidelines from European Banking Authority (EBA) : Guidelines on Internal Governance and on Outsourcing

• The exchanges with European Insurance and Occupational Pensions Authority (EIOPA) about the new role of internal auditors after the implementation of Solvency II

• The role of the internal auditors with the audit

committee in the context of the audit reform.

We organised the first European Banking Forum, gathering CAEs from SSM banks together with representatives from ECB and EBA.

We will launch two new projects in 2019 through new, dedicated work groups:

• lessons learned following the implementation of GDPR

• the evolution of the internal auditing profession.

All actions aim at a common goal - to strengthen the dialogue between in-

ternal auditors and European Regulators.

We will continue to share our work with our members and will use a common platform to facilitate the exchanges among the volunteers and the communication towards the members in Europe. All of our work has only been possible thanks to the collaboration of members and the members of the various Committees and Workgroups.

We hope that all members have enjoyed the benefits of belonging to the ECIIA. Let's keep the good work! ○



**Pascale Vandebussche**  
ECIIA Secretary General

# Management Board

The Confederation is managed by a Board of Directors 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 Spain. They have met 7 times and twice with the European CEOs from member Institutes.

### Main activities

The Board of Directors 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. ○



**Gabrielle Rudolf van Rohr**  
IIA Switzerland  
ECIIA Treasurer



**Farid Aractingi**  
IFACI  
ECIIA President



**Thierry Thouvenot**  
IIA Luxembourg  
ECIIA Vice-President



**Tomáš Pivoňka**  
IIA Czech Republic



**Verra Marmalidou**  
IIA Greece



**Silvio de Girolamo**  
IIA Italy



**Kristiina Lagerstedt**  
IIA Finland



**Manuel de Alzua**  
IIA Spain



**Melvyn Neate**  
IIA UK and Ireland



**Jens Motel**  
IIA Germany

# Public Affairs Coordination Committee

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 a 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.

This year, the PACC has consolidated its collaboration with the European Institutes Research Group.

### 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 these 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 onli-

ne collaboration. They create the advocacy action plan based on the annual objectives set up with the Board of Directors.

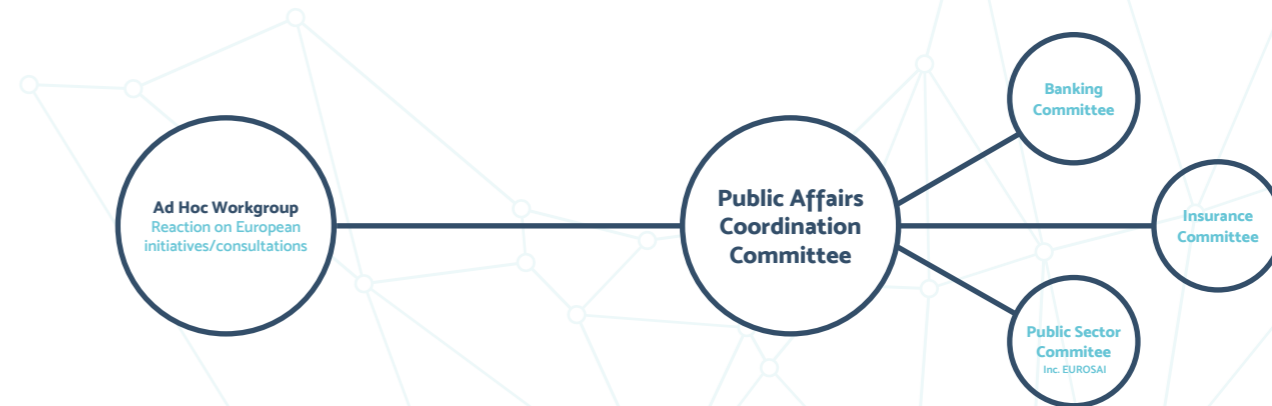
In order to voice the professional views of European internal auditors, the Committee defines the best way to cooperate with the EU institutions. Where relevant, the Committee seeks to coope-

rate with other EU associations in order to maximise synergies and raise awareness of common concerns.

The Committee identifies representatives for the various sectorial committees and for the working groups that will provide perspectives based on practical auditing experience and from the views

of their National Institutes.

In 2018, they reviewed the banking committee position papers and the ECIIA reactions on consultations. In practice the organisation comprises (schematic below): →



# Public Affairs Coordination Committee



**Thierry Thouvenot**  
IIA Luxembourg  
Chair



**Silvio de Girolamo**  
IIA Italy  
Vice Chair



**Chiara Guizzetti**  
IIA Italy  
EIRG Chair



**Manuel de Alzua**  
IIA Spain



**Béatrice Ki-Zerbo**  
IIA France



**Gabriela González-Valdés**  
IIA Spain



**Melvyn Neate**  
IIA UK & Ireland



**Ian Peters**  
IIA UK & Ireland



**Jens Motel**  
IIA Germany



**Roberto Fargion**  
IIA Italy



**Pascale Vandebussche**  
ECIIA Secretary General

# 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. ○

## **Other Members:**

Linda Lundin  
IIA Sweden

Norbert Wagner  
IIA Austria



**Hans Nieuwlands**  
IIA Netherlands  
Chair



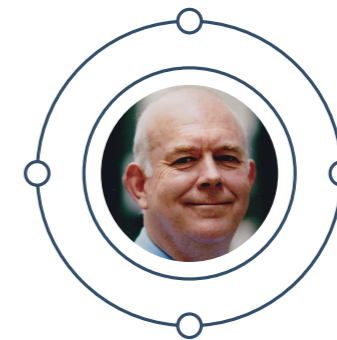
# Nomination Committee

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. ○



**Melvyn Neate**  
IIA UK & Ireland  
Chair

## Other Members:

**Farid Aractingi**  
IFACI  
ECIIA President

**Elen Brataas**  
IIA Norway

# Banking Committee

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 respec-

ted 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

The Committee meets regularly with ECB and EBA representatives to exchange views on new issues and new regulations.

The first European Forum for Internal Audit, Banking Regulation and Supervision: «A contribution to further harmonisation and a single playing field» was organised in November 2017 and welcomed 130 CAEs together with representatives from ECB and EBA.

The Committee has reacted to different consultations:

• **The ECB draft Guide to Internal Models for financial services organisations**

We highlighted the different follow up procedures for audit findings based on the severity of risk. We recommend the review of the internal model processes based on a general risk assessment. We also advocate that the prioritisation of the audit engagements, the audit techniques are approved according to the internal audit governance.

Finally, we advocate the collaboration between the second and third line of defence for internal model process validation.

• **The EBA Guidelines on Internal Governance (EBA/CP/2016/16)**

We recommended that the

guidance acknowledges that internal audit plays an important supporting role to management across the range of its management and supervisory functions in giving independent assurance, advice and insight.

• **The EBA Guidelines on Outsourcing (EBA/CP/2018/11)**

We recommended that the guidance do more to emphasise the role of the first and second lines of defence in the oversight of the outsourced functions. We suggested to lighten the principles for intra-group outsourcing considering the lower levels of risk exposure compared to external outsourcing. →

## ECIIA publishes suite of best practice papers for European banks

Internal audit can provide the boards and senior managers of European banks with distinctive and strategic assurance over their operations. The ECIIA's papers cover a range of topics including internal audit's role in good governance, audit planning, auditing a group of institutions, auditing outsourced operations, and follow-up monitoring on audit recommendations.

These five position papers are intended as best practice guides to internal auditors and their organisations in a range of areas. Taken together the recommendations in these documents should enhance the ability of internal auditors to give boards and senior managers independent and objective insights into the overall internal control systems and risk management at their institutions.

The documents address issues that require clarification due to recent changes in the way financial institutions are regulated. They are offered as best practice to be adopted or adapted by banks depending on their size, culture and local requirements. ○

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**Henrik Stein**  
DZ Bank (DE)  
Chair

### Other Members:

**Thierry Thouvenot**  
KBL Private Bank (LU)  
Vice Chair

**Stephen O'Reagan**  
Bank of Ireland (IE)

**Serenella de Candia**  
UniCredit Group (IT)

**Verra Maramalidou**  
National Bank of Greece (GK)

**Jamie Graham**  
Nordea (DK)

**Gérard Brac de la Perrière**  
BCPE (FR)

**Alessio Miranda**  
ING (NL)

**Ernesto Martinez Gomez**  
Banco Santander (ES)

**Pascale Vandenbussche**  
ECIIA



### Follow-up monitoring

An audit report generally includes the management action defined as a response to the recommendation, together with a due date and an action owner. Every internal audit function should have a process for monitoring follow-up on implementation of management actions. This can be an indicator for the internal audit function's effectiveness. The paper addresses the best strategies for audit follow-up.



### Audit planning approach

To manage risks effectively is an essential part of good corporate governance. An important role of each organisation is to identify all business risks and uncertainties which the organisation faces, quickly implementing risk mitigating measures and enhancing the system of internal controls. The CAE must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. The paper outlines strategies to combine a traditional cyclical approach to internal auditing with a risk-based approach.



### Internal Audit oversight of external outsourcing

Internal audit function has an important role to play in providing assurance over the effectiveness and security of key processes outsourced from banks to third parties. It is crucial that key stakeholders, including management, the board and the bank's supervisors can place reliance on the work of internal audit in respect of the risk management of third parties, while at the same time maintaining a reasonable expectation of the extent of the internal audit function's responsibilities in this area. The paper provides an overview of best practice in this area.



### Internal Audit's role in good governance

Internal control is an important cornerstone for banks' long-term sound governance. It should be tailored to the business model, risks and organisational structure. This paper outlines, how, as the third line of defence, reporting to CEOs and the board, internal audit gives an overall assurance on internal control effectiveness including an independent review of risk and control functions as well as insights on efficiency.



### Internal Audit within a group

The audit departments of banking groups need to deliver consistent and adequate levels of assurance across the group. At the same time, as this paper discusses, they must consider both group and subsidiary regulatory requirements, with the intention of fostering consolidated supervision across the group.

# Insurance Committee

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

The Committee has defined its own rules of or-

der and set up a Charter. The Committee met with EIOPA to exchange views on the impact of Solvency II implementation for the profession in Europe. The Committee is finalising guidance : "Internal audit profession in the European Insurance sector". The guidance interprets high-level requirements for internal audit under

the Solvency II framework. The recommendations will help strengthen corporate governance and are based on the IIA's global International Professional Practices Framework (Professional Standards) and good practices. It should be applied in accordance with national legislation. ○

#### Other Members:

**Thierry Thouvenot**  
KBL Private Bank (LU)  
ECIIA Board Representative  
**Sonia Vicente Alonso**  
CAE MMT Seguros (ES)

**Martin Studer**  
Zurich (CH)  
**Ian Robinson**  
AXA Group (FR)  
**Stephen Licence**  
L&G (UK & IE)

**Manfred Schuster**  
Uniqia (AT)  
**Ann-Marie Andtback Beckmann**  
AMF (SE)

**Enrico Paretta**  
Generali (IT)  
**Pascale Vandebussche**  
ECIIA (BE)



**Hervé Gloaguen**  
Allianz Group (DE)  
Chair

# Public Sector Committee

This new Committee was launched in April 2018. Its objective is 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 Committee is developing a paper on the role of the audit committee in the public sector. It will focus on the EU legal background and on the independence of the internal auditors. ○



**Melvyn Neate**  
IIA UK & Ireland  
Chair

## Other Members:

**Jo Rowley**

IIA UK & Ireland

**Ciaran Spillane**

IAS European Commission

**Massimo Proietti**

IIA Italy

**Jens Motel**

IAA Germany

**Soledad Llamas Tutor**

IIA Spain

**Stephan Roudil**

IFACI

**Niina Sipilainen**

IIA Finland

**Tomáš Pivoňka**

IIA Czech Republic

**Pascale Vandebussche**

ECIA

# 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**

The Committee set up a contact list with the SAIs and internal auditors of 22 countries. It carried out a survey about the relation between SAIs and internal auditors in the different

European countries. The survey concluded that 60% of the participants (internal auditors) have regular contact with SAIs, whereas only 53% have contact with the governing body of the SAIs. A new working program

is in progress which will focus on the role of internal auditors and SAIs in the implementation of non-financial reporting in organisations. ○

### **Other Members:**

**Melvyn Neate**  
IIA UK & Ireland



**Soledad Llamas Tutor**  
Canal Isabel II (ES)  
Chair

# Other Activities

## Workgroups

The GDPR and Cyber Workgroups has reacted on the consultation about a framework for the free flow of non-personal data in the European Union. The ECIIA outlined the implications for internal auditors that use non-personal data in the course of their audits and report

critical findings to senior management and audit committee.

The Reporting Workgroup participated in the discussions about the Non-Financial Reporting Guidelines as member of the Stakeholders Group. They responded to the recent

consultation, Fitness Check on the EU Framework for Public Reporting by Companies.

The response stressed the need for a clear governance process, highlighted the role of internal audit in the assurance process in conjunction with the

other lines of defence and the requirement for ensuring the accuracy of data among other things. It also supported integrated thinking and reporting approaches in this area.

## Event in collaboration with ecoDa

After the implementation of the audit reform agenda, the Committee of European Auditing Oversight Bodies (CEAOB) will launch a questionnaire to audit committee members about the lessons learned from the reform and possible improvements.

ECIIA, in partnership with European Confederation of Directors' Associations (ecoDa) participated in a workshop in Brussels that highlighted the role of internal auditors in the so-called golden triangle - internal audit, the audit committee and external audit.



## ECIIA Annual Conference

After a very successful than 850 participants in conference last year in Madrid this year. ○ Basle with 800 participants, we will welcome more

47k

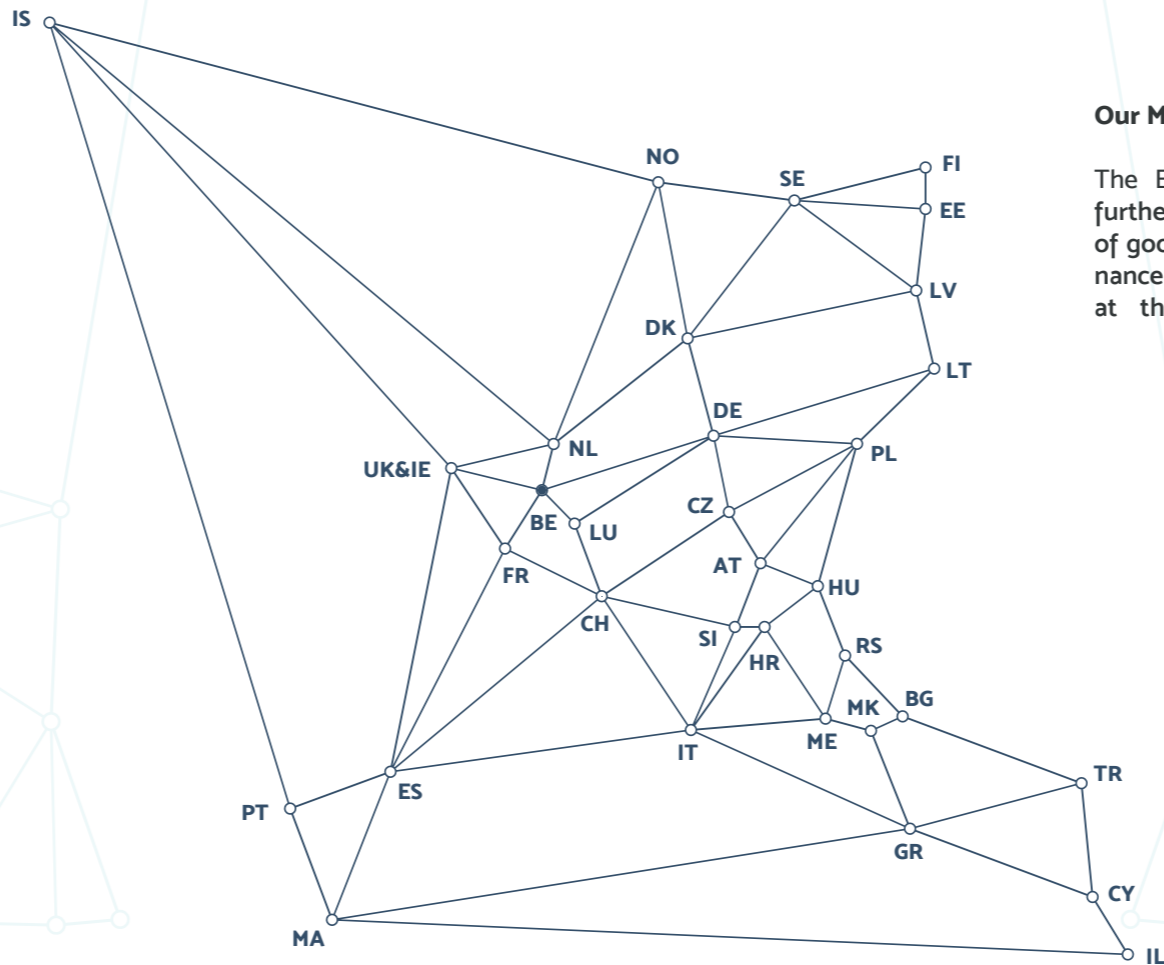
Internal Auditors

34

National Institutes

34 National institutes of internal auditing from countries across Europe and the Mediterranean basin, representing 47,000 internal auditors.

# Our Mission



## Our Mission

The ECIIA mission is to further the development of good Corporate Governance and Internal Audit at the European level,

through knowledge sharing, developing key relationships, and impacting the regulatory environment.

### Exchange

between European institutes.

### Lobbying tool

vis-à-vis European bodies.

### ECIIA Operations

Governance, Finance...

### Coaching

of young emerging institutes.

### Collaboration tool

Research from a national to the European dimension: ECIIA brand.



designed by CREATIVE  
LEMONS

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## Team

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Carolina Baltazar

