

page	para	Wording	Amendments / Additions suggested	Rationale
7	20	... The independent internal audit function as the third line of defence, conducts risk-based and general audits and reviews that the internal governance arrangements, processes and mechanisms are sound and effective, are implemented and consistently applied. The internal audit function is also in charge of the independent review of the first two 'lines of defence'. Within the three lines of defence, The independent internal audit function as the third line of defence, conducts risk-based and general audits and reviews that the internal governance arrangements, processes and mechanisms are sound and effective, are implemented and consistently applied. As part of its role to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight, the internal audit function also assesses whether the quality of an institution's internal control framework is both effective and efficient. The internal audit function is also in charge of the independent review of the first two 'lines of defence'. Within the three lines of defence, ...	Addition to align the wording with the relevant provisions of the globally recognised International Professional Practices Framework of the IIA.
15	Q 1:	Are the guidelines regarding the subject matter, scope, definitions and implementation appropriate and sufficiently clear?	We recommend adding a definition of 'competent authorities' (as e.g. referred to in paragraph 124), to ensure clarity.	
20	Q 2:	Are there any conflicts between the responsibilities assigned by national company law to a specific function of the management body and the responsibilities assigned by the Guidelines, in particular within paragraph 23, to either the management or supervisory function ?	No	

24	50	<p>In accordance with Directive 2006/43/EC¹⁵, where established, the audit committee should, inter alia:</p> <ul style="list-style-type: none"> a. monitor the effectiveness of the institution’s internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the audited institution; b. oversee the establishment of accounting policies by the institution; c. monitor the financial reporting process and submit recommendations or proposals to ensure its integrity; d. review and monitor the independence of the statutory auditors or the audit firms, and in particular the appropriateness of the provision of non-audit services to the audited institution; e. monitor the statutory audit of the annual and consolidated financial statements; f. be responsible for the procedure for the selection of external statutory auditor(s) or the audit firm(s) and recommend for approval by to the institution’s competent body their appointment, compensation and dismissal; g. review the audit scope and frequency of the statutory audit of annual or consolidated accounts; 	<p>In accordance with Directive 2006/43/EC¹⁵, where established, the audit committee should, inter alia:</p> <ul style="list-style-type: none"> a. monitor the effectiveness of the institution’s internal quality control and risk management systems and its internal audit, regarding the financial reporting of the audited institution; b. oversee the establishment of accounting policies by the institution; c. monitor the financial reporting process and submit recommendations or proposals to ensure its integrity; d. review and monitor the independence of the statutory auditors or the audit firms, and in particular the appropriateness of the provision of non-audit services to the audited institution; e. monitor the statutory audit of the annual and consolidated financial statements; f. be responsible for the procedure for the selection of external statutory auditor(s) or the audit firm(s) and recommend for approval by to the institution’s competent body their appointment, compensation and dismissal; g. review the audit scope and frequency of the statutory audit of annual or consolidated accounts; h. review audit reports i. progress in implementing recommendations made by the internal auditors or external auditors j. review and monitor reporting on internal audit’s quality assurance and improvement programme 	<p>The audit committee must have explicit responsibility for ensuring follow-up to recommendations, and also oversight of quality assurance and improvement activities.</p>
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		h. review audit reports.		
28	68	Institutions should take the same risk management measures as for the institution's own business activities when they perform non-standard or non-transparent activities for clients (e.g. helping clients to form vehicles in offshore jurisdictions; developing complex structures and finance transactions for them or providing trustee services) which pose similar internal governance challenges and create significant operational and reputational risks. In particular, institutions should analyse the purpose why a client wants to set up a particular structure.		We wonder why the detailed allocation of duties specified in paragraphs 68 and 69 should be part of the guideline. The tasks dealt with here are common tasks of an organisation and there are other tasks that are not mentioned. We suggest considering deleting these paragraphs.
28	69	All these structures and activities, including their compliance with legislation and professional standards, should be subject to regular review by the internal audit function.		see comments above
28	Q 3	Are the guidelines in Title I regarding the role of the management body appropriate and sufficiently clear?		See comments above
36	Q 4	Are the guidelines in Title II regarding the internal governance policy, risk culture and business conduct appropriate and	No comments / objections.	

		sufficiently clear ?		
38	Q 5	Are the guidelines in Title III regarding the principle of proportionality appropriate and sufficiently clear ?	It would be helpful for benchmarking purposes to have some key figures that give an indication of proportionality. It is not easy to identify what the size and level of complexity is.	
39	120	... The management body should follow up on the findings of the internal control functions in a timely and effective manner and for requiring adequate remedial actions. The management body is responsible for the follow up on the findings of the internal control functions in a timely and effective manner and for requiring adequate remedial actions. ...	Clarification
44	146 new		The internal audit function should play a part in relation to new product approvals policy, and to this end should include reviewing the approval process within the scope of its duties.	In part 14 (New products and significant changes) We suggest adding an additional paragraph between paragraph 145 and 146 to clarify the role of internal audit in this area
49	185	The IAF should independently review the compliance of all activities and units of an institution including outsourced activities with institutions’ policies and procedures and that should ensure that each entity within the group fall within the scope of the IAF.	The IAF should - following a risk-based approach - independently review the compliance of all activities and units of an institution, including outsourced activities, with institutions’ policies and procedures, and should ensure that each entity within the group falls within the scope of the IAF. It should provide independent assurance to the management bodies on the quality and effectiveness of a bank’s internal control, risk management and governance systems and processes,	Adjusted to align the wording with the BCBS Principle 1 in its paper “Internal Audit Function on Banks”, and for grammar.

			thereby helping the management bodies protect their organization and its reputation.	
49	186 new		The IAF shall assess whether the quality of an institution’s internal control framework is both effective and efficient. Furthermore, the IAF should advise the management body, amongst others, on the quality of its governance structure and controls as part of their role to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. Assurance services involve the internal auditor’s objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. Any such consultancy work shall be carried out while fully respecting the independence of the IAF.	We suggest adding a new paragraph 186 between paragraph 185 and existing paragraph 186 to further clarify the role of the IAF.
50	187	The IAF should assess whether the quality of the institution’s internal control framework as described in section 12 is both effective and efficient. In particular, the IAF should assess: a. The appropriateness of the institutions’ governance framework; b. Whether existing policies and procedures remain adequate and comply with legal and regulatory requirements and with the risk	We recommend aligning the wording with Principle 6 and 7 of the BCBS Paper on the Internal Audit function in banks, which give a better coverage of the scope of internal audit. Principle 6: Every activity (including outsourced activities) and every entity of the bank should fall within the overall scope of the internal audit function. (etc.) Principle 7: The scope of the internal audit function’s activities should ensure adequate	See comment left

		<p>appetite and strategy of the institution;</p> <p>c. The compliance of the procedures with the applicable laws, regulations and with decisions of the management body;</p> <p>d. Whether the procedures are correctly and effectively implemented (e.g. compliance of transactions, the level of risk effectively incurred...); and</p> <p>e. The adequacy, quality and effectiveness of the controls performed and reporting by the first and the second lines of defence.</p>	<p>coverage of matters of regulatory interest within the audit plan. (etc.)</p>	
50	188	<p>The IAF should verify, in particular, the integrity of the processes ensuring the reliability of the institution’s methods and techniques, assumptions and sources of information used in its internal models (for instance, risk modelling and accounting measurement). It should also evaluate the quality and use of qualitative risk identification and assessment tools and the risk mitigation measures taken.</p>	<p>See comment on paragraph 187</p>	<p>See comment left</p>
50	190	<p>The IAF should adhere to national and international professional standards. An example of professional standards referred to</p>	<p>The IAF should adhere to national and international professional standards. An example of professional standards referred to here is the International</p>	<p>Correct reference to the relevant standards, and inclusion of a relevant provision about external</p>

		here is that of the standards established by the Institute of Internal Auditors.	Professional Practices Framework established by the Institute of Internal Auditors. External assessments on the IAF should be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.	assessment of the internal audit function.
50	192	A audit plan should be drawn up at least once a year on the basis of the annual control objectives in line with the guidance of the management body in its supervisory function's.	A audit plan should be drawn up at least once a year on the basis of the annual audit objectives in line with the guidance of the management body in its supervisory functions .	Audit objectives are wider in scope than control objectives.
50	193	All audit recommendations should be subject to a formal follow-up procedure by the respective levels of management to ensure and report their effective and timely resolution. The head of the IAF should be able to report directly where appropriate and on his own initiative the management body in its supervisory function of the non-implementation of the corrective measures decided on. This should not prevent him to report where relevant, to the risk committee.	All audit recommendations should be subject to a formal follow-up procedure by the respective levels of management to ensure and report their effective and timely resolution. The head of the IAF should be able to report directly where appropriate and on his own initiative the management body in its supervisory function of the non-implementation of the corrective measures decided on. This should not prevent him from reporting, where relevant, to other competent governing bodies.	The governing body is not always the Risk Committee.
51	Q 6	Are the guidelines in Title IV regarding the internal control framework appropriate and sufficiently clear ?	No comments/objections	
53	Q 7	Are the guidelines in Title V regarding transparency of the organization of the institution appropriate and sufficiently clear?	No comments/objections	

61	Q 8	Are the findings and conclusions of the impact assessments appropriate; please provide to the extent possible an estimate of the cost to implement the Guidelines differentiating of one-off and ongoing costs ?	No comments/objections.	
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