July 22, 2011

European Commission
Brussels, Belgium

Response e-mailed to markt-complaw@ec.europa.eu@ec.europa.eu

RE: Response to the Green Paper “The EU Corporate Governance Framework”

Dear Sir/Madam:

The Institute of Internal Auditors (IIA) welcomes the opportunity to respond to the European Commission's (EC) Green Paper. Our comments are based on a thorough analysis and discussion, utilizing a core team of audit experts who serve on The IIA's Professional Issues Committee. These individuals consist of Certified Internal Auditors, Charted Accountants and Certified Public Accountants who have worked in public accounting and in management positions in small, medium, and large multinational companies.

Effective corporate governance is essential to ensure the safeguarding of the interest of all stakeholders of an organization. We strongly endorse the response previously submitted by the European Confederation of Institutes of Internal Auditors to the EU Green Paper on “The EU Corporate Governance Framework.” In particular, we would like to emphasize the following points made in the ECIIA response:

1) Effective governance measures are important for all organizations. The basic principles apply to all organizations, large or small, listed or unlisted. We believe governance principles need to be applied differently for large and small organizations, but the core principles are the same. For unlisted companies, we do not believe legislation should mandate specific measures related to governance, but we support the development and application of voluntary codes or guidelines based on the core principles of corporate governance.

2) The “three lines of defense” model is an excellent framework to use in considering structures and codes for the proper management of risk in an organization. A framework comprised of multiple parties, each with different but complimentary responsibilities helps ensure risk is effectively managed in an organization. Overreliance on a single party or a single measure will ultimately prove ineffective. The power of multiple, coordinated, and complimentary efforts will prove to be much more successful in ensuring effective management of risk.

3) Internal audit can fill a key role in an organization's governance activities. An internal audit function that conforms with The IIA’s “International Standards for the Professional Practice of Internal Auditing” and is granted the proper role and responsibilities in an organization can add significant value to the organization. We believe the presence of internal audit should be included in the requirements covered under the "comply or explain" approach of governance codes.
Thank you for considering The IIA's comments. Should you desire to explore these recommendations further, please do not hesitate to contact me.

Best Regards,

Richard F. Chambers, CIA, CGAP, CCSA
President and Chief Executive Officer

About The Institute of Internal Auditors
The IIA is the global voice, acknowledged leader, principal educator, and recognized authority of the internal audit profession and maintains the International Standards for the Professional Practice of Internal Auditing (Standards). These principles-based standards are recognized globally and are available in 29 languages. The IIA represents more than 170,000 members across the globe and has 103 affiliates in 165 countries that serve members at the local level.