

ECIIA Advocacy Achievements and the Three Lines of Defense Model

**IIA Lithuania Conference
Vilnius
25 March 2011**



2011 Advocacy Committee

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- Ruxandra Bilius
- Hans Joachim Büsselberg
- Carolyn Dittmeier
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- Richard Nelson
- Ian Peters
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- Louis Vours
- 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



Secondary Targets



ECGF

EUROSAI



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

ECIIA and

European focused communication

Road Map 2011:

- Establish contact and permanent relationship with three representative journals
- Have visible publications related to our advocacy efforts
- Redesign “The European”
- Redesign ECIIA website



Communication Tools

Road Map 2011:

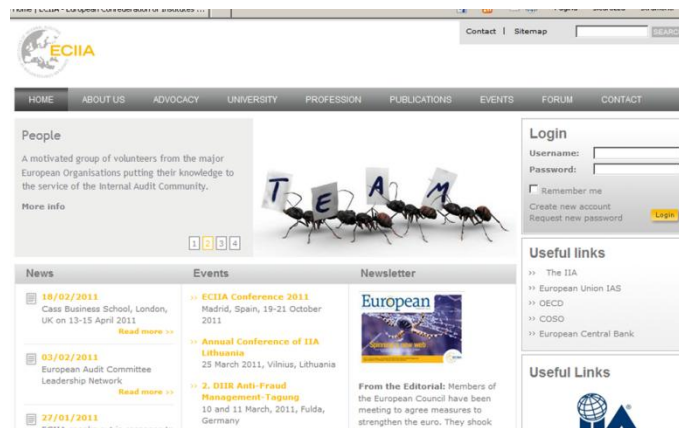
- Restructuring of Magazine to new primary target of outside stakeholders with objective of strong communication promoting good Corporate Governance
- New name
- Introduction of Corporate Governance Citizen Program



Communication Tools

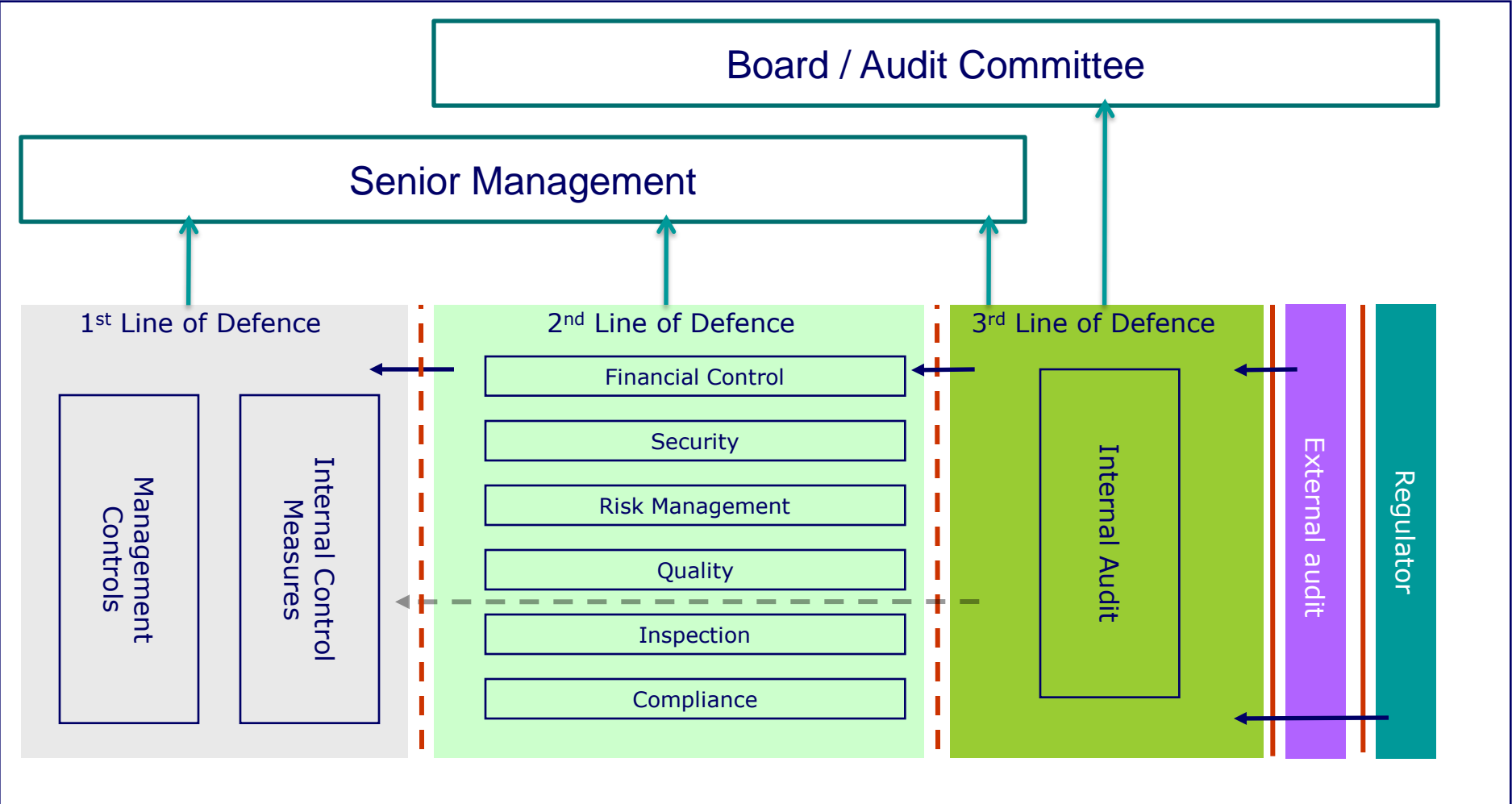
ECIIA Web Site

Restructuring of form and content for new primary target of outside stakeholders

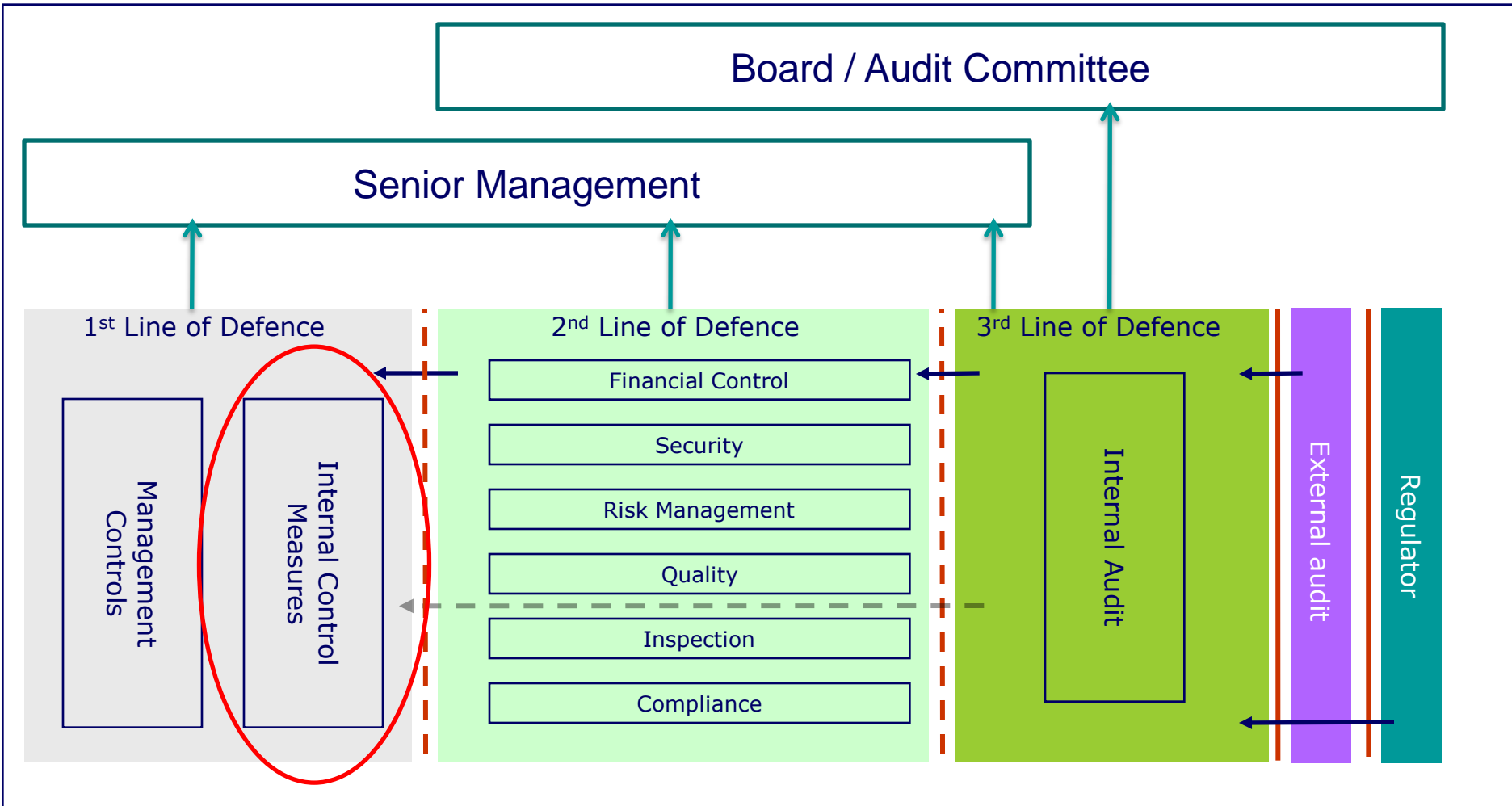


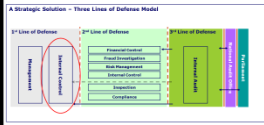
ECIIA's Primary Formal Advocacy Message

The Three Lines of Defense Model



The Three Lines of Defense Model

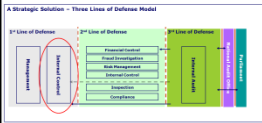




1st line Operations management

Operations management has ownership, responsibility and accountability for

- Assessing risks
- Controlling risks
- Mitigating risks

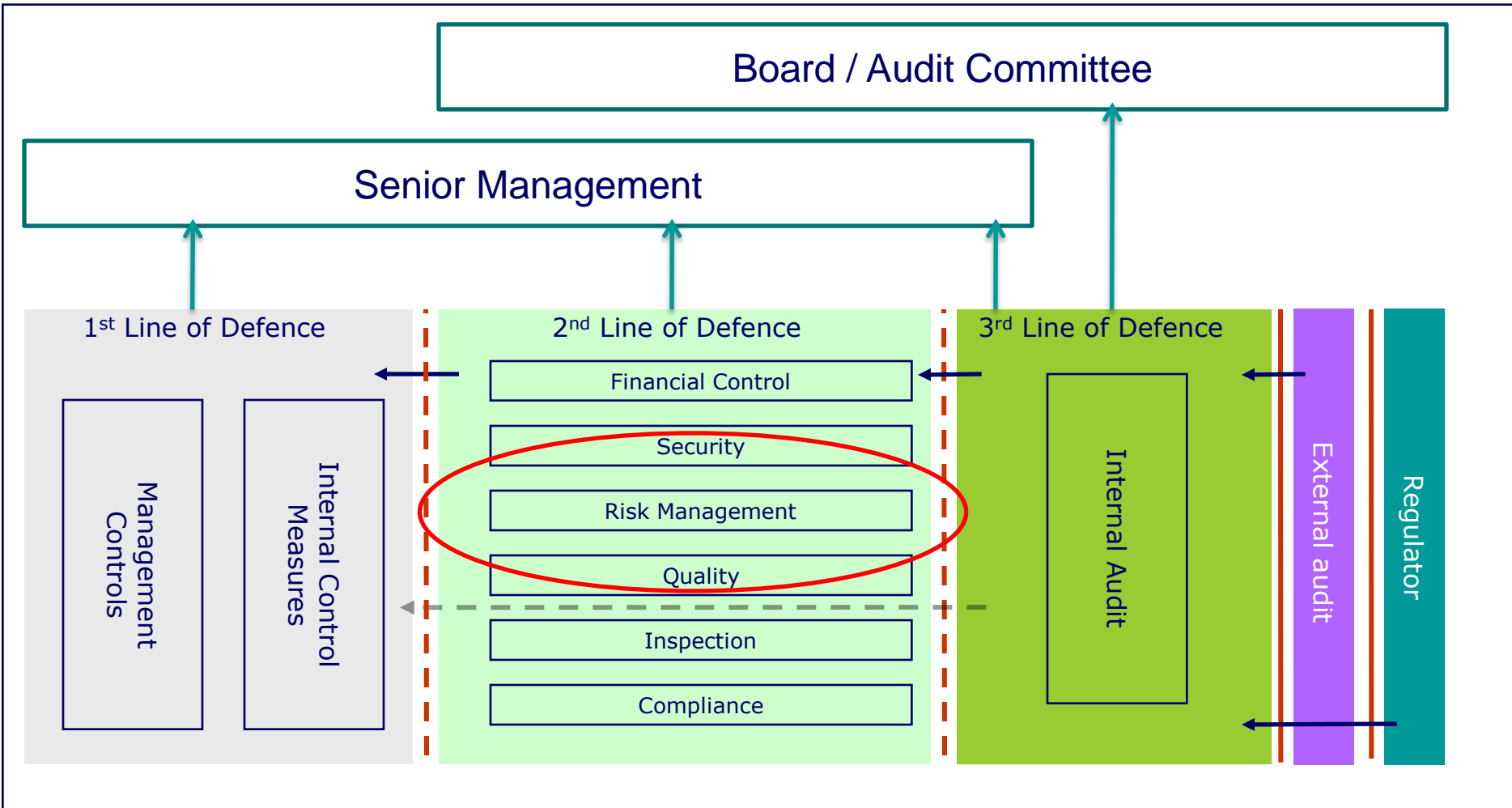


1st line Operations management

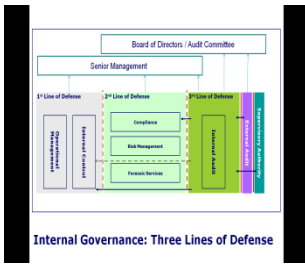
Key features

- 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

The Three Lines of Defense Model

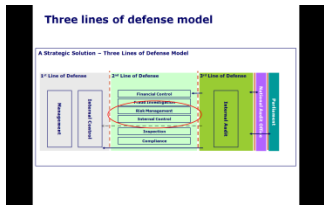


2nd line Risk Functions



Provide support and independent challenge on

- Risk assessment
- Risk appetite and strategy
- Risk reporting
- Adequacy of mitigating plans

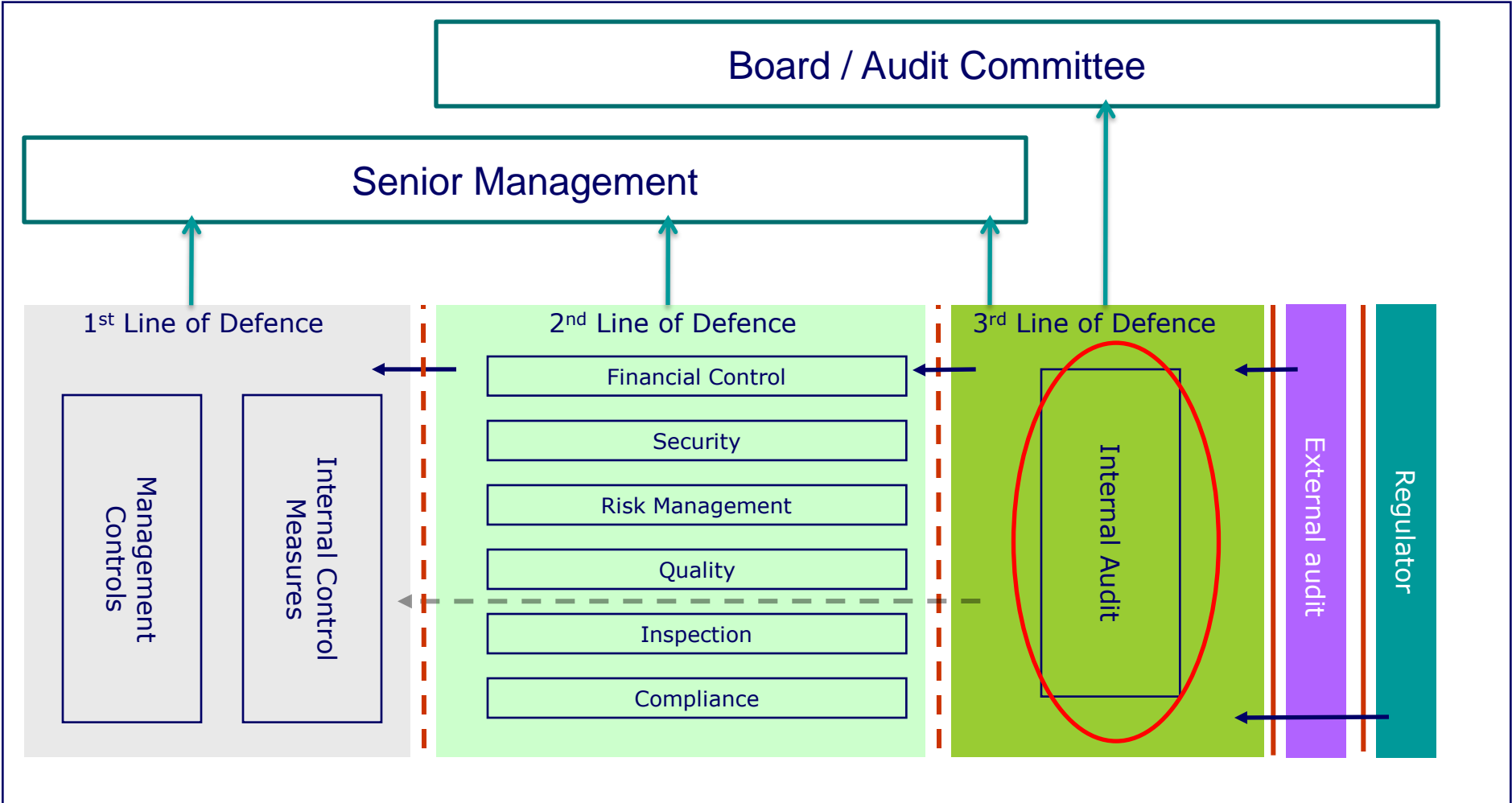


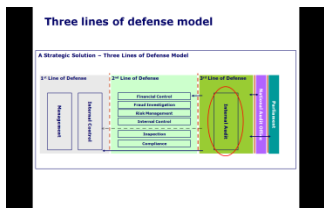
2nd line Risk Functions

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

The Three Lines of Defense Model

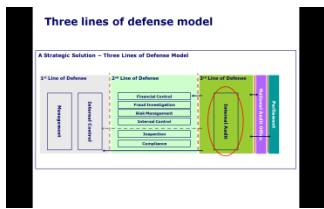




3rd line Internal Audit

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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