



Instituut der Bedrijfsrevisoren
Institut des Reviseurs d'Entreprises

Koninklijk Instituut - Institut royal

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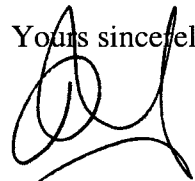
Dear Ms Blomme,

Subject: Comments of IRE on FEE's Discussion Paper on Risk Management and Internal Control in the EU

The Board of the Institute of Registered Auditors (*Institut des Reviseurs d'Enterprises, Instituut der Bedrijfsrevisoren, IRE-IBR*) would like to comment on FEE's Discussion Paper on Risk Management and Internal Control in the EU.

Please find the comments in attachment to this letter.

Yours sincerely,



André KILASSE



Response of the Institute of Registered Auditors
(Institut des Reviseurs d'Enterprises, Instituut der Bedrijfsrevisoren, IRE-IBR)

to FEE's Discussion Paper on Risk Management and Internal Control in the EU

1. Do you agree with FEE that there is a need to promote discussion and evidence gathering to encourage coordination and convergence of the development of risk management and internal control at EU level? If not, please explain.

YES.

2. Do you consider it appropriate for public policy on risk management and internal control in the EU to focus on listed entities and the needs of their shareholders? Alternatively, do you think that there is a pressing need to deal with issues relevant to a wider range of entities and stakeholders? If so, please explain.

YES. We consider it appropriate, at least at the first stage, to develop the practice for listed entities.

3. Do you agree with FEE that the case for introducing any regulation related to risk management and internal control should have regard to: the business case for risk management; the advantages of principles-based requirements; the distinctive features of listed companies; the primacy of those charged with governance; and reasonable liability? If not, please provide details.

YES.

4. Are there overriding principles additional to those identified by FEE in Sections 3.1 to 3.5 that are relevant to risk management and internal control? If so, please explain.

NO.

5. Is the matrix for analysis presented in Figure 1 in Section 4.1 clear and useful? If not, please explain why not.

YES.



6. Is there any need to develop an EU framework for risk management and internal control? If so, how would you address the concerns about resources and benefits identified by FEE in Section 4.2?

According to IRE, the most important concerns are

- the framework that should be principles-based and well structured (cf. p. 24 and before : § 5.3. and 5.4.);
- supervisory bodies shouldn't participate in a direct way in the regulatory process;
- auditors are not in a position to assume legal responsibility since there is no unique model on internal control that provides precise rules.

7. Do you agree with FEE's disclosure principles for risk management and internal control set out in Section 4.3? If not, why not and are there additional factors that should be considered?

YES.

8. Do you agree with FEE's proposal that there should be a basic EU requirement for all companies to maintain accounting records that support information for published financial statements? If not, why not?

YES.

9. Do high-level criteria need to be developed to promote meaningful descriptions of internal control and risk management as envisaged by the proposal to amend the Fourth and Seventh Directive ? If so, who should develop the criteria and if not, why not?

YES, at European level, but not at the national level.

10. What role should regulatory requirements play in promoting improvement in risk management and internal control? (Section 5.6)

11. Do you agree with FEE's identification of the issues for consideration by listed companies and regulators set out in Section 5.5? Are there any other matters which should be dealt with?

YES.



12. What views do you have on the issues for consideration discussed in Section 5.5? (Section 5.6)

It is not up to the companies to follow a mandatory evolutionary path. They make choices for various other reasons. On the contrary, the regulations should follow such a path.

13. Do you consider that the current financial statement audit provides adequate assurance to investors in respect of internal controls over financial reporting? Please explain your response. (Section 6.7)

An audit doesn't 'provide' such assurance at all. Only in the case of weaknesses that lead to the expression of a modified opinion, a disclaimer is given.

14. Should new disclosures related to risk management and internal control be subject to external assurance? If so, why, and should this be as part of an integrated financial statement audit as in the United States? (Section 6.7)

YES, for economic reasons and in order to minimize the burden on the entity's management. Theoretically however, one could think of a split-up between the one provides assurance on internal controls, and the other on financial reporting.

15. What do you see as the principal priorities in the possible development of new forms of assurance related to risk management and internal control? (Section 6.7)

We see the principal priorities as set out in figures 5. and 6.