

Basel Committee on Banking Supervision  
Bank for International Settlements  
CH-4002 Basel, Switzerland  
[baselcommittee@bis.org](mailto:baselcommittee@bis.org)

**Date** 29 februari 2012  
**Reference** BR1572

Regarding: NVB response to Basel consultation on the internal  
audit function in banks

Dear Sir/Madam,

The Dutch Banking Association<sup>1</sup> welcomes the opportunity to comment on the BCBS consultation “the internal audit function in banks”. In general we support the principles proposed by the Committee as they will lead to a strong internal control framework including an independent internal audit function, as part of sound corporate governance.

We applaud the fact that attention has been given to the professional standards issued by the Institute of Internal Auditors. The Dutch banking sector is actively involved in creating and improving these standards. Apart from the standards of the IIA, Dutch banks also have to comply with the Dutch Banking Code. The Code intensifies the link between internal audit and other parts of the institution even more and prescribes regular meetings with the supervisor and external auditor.

Against this backdrop, we would like to share a number of comments and suggestions we have on the principles. Principle 5 relates to the audit charter. We suggest to replace ‘standing’ by ‘responsibility’. This makes it more clear what to expect from the internal audit function. Also a reference to the IIA standards on QAIP (Quality Assurance and Improvement Program) should be added in paragraph 24, as this would increase the clarity of the principle. This will lead to more harmonization of practices in internal audit functions.

In principle 6 it is stated that the internal audit function should evaluate the “effectiveness and efficiency of operations”. We feel that the core focus of the internal audit function should be on both the design and the operating effectiveness of risk management regarding the operations and not as much on the efficiency. We deem the latter to be less relevant in this context. We therefore suggest not to include the reference to “efficiency” in principle 6 and rephrase the line effectiveness and efficiency of operations” in paragraph 27 to “Effectiveness with respect to the risk and control structure in and around the operations”.

With regard to principle 13, we do not fully understand how to interpret the wording that the internal audit should “complement” the other lines of defence, although we concur with the fact that cooperation and coordination between the functions is vital. In our view, “complement” may lead to

---

<sup>1</sup> The Nederlandse Vereniging van Banken (NVB) is the representative voice of the Dutch banking community with over 90 member firms, large and small, domestic and international, carrying out business in the Dutch market and overseas. The NVB strives towards a strong, healthy and internationally competitive banking industry in the Netherlands, whilst working towards wider single market aims in Europe.


unnecessary discussions between the three lines of defence. Could the Committee provide more guidance as to how “complement” should be interpreted in practice?

On principle 14: “Internal audit within a group or holding company structure”; we recommend to strengthen the position of the group audit function, e.g. by adding in paragraph 61 ‘which include the audit methodology and quality assurance measures of the group audit function’ after ‘formulate the internal audit principles’.

In closing, and on a more general note, we feel that additional emphasis could be placed on the working relationship with both the regulators and external auditors. Currently this is only referred to as ‘communication channels’ in Annex 1. We suggest to elaborate on these relationships in the principles itself.

This concludes our response to the consultation. Should you have any questions, please don’t hesitate to contact me.

Kind regards,



Koen Holdtgrefe,  
Advisor Prudential Supervision

CC: Ashraf Khan, Dutch Central Bank