

Circular

Brussels, 13 July 2015

Reference: NBB_2015_21

Contact person:

Kurt Van Raemdonck

Phone +32 2 221 53 39 – fax +32 2 221 31 04

kurt.vanraemdonck@nbb.be

Circular concerning the internal control system and the internal audit function

Scope

Credit institutions, branches established in Belgium of credit institutions governed by the law of non-Member States of the European Economic Area (EEA), stockbroking firms, branches established in Belgium of stockbroking firms governed by the law of non-Member States of the EEA, payment institutions, electronic money institutions, branches established in Belgium of electronic money institutions governed by the law of non-Member States of the EEA, settlement institutions and assimilated institutions, settlement institutions and assimilated institutions established in Belgium which are branches of foreign institutions, insurance and reinsurance companies, branches established in Belgium of insurance and reinsurance companies governed by the law of non-Member States of the EEA, within the framework of consolidated supervision, group supervision or supplementary conglomerate supervision: financial holding companies and mixed financial holding companies, and finally, within the framework of group supervision: insurance holding companies.

A separate letter will be sent to the branches established in Belgium of credit institutions, stockbroking firms, electronic money institutions, insurance and reinsurance companies governed by the law of other Member States of the EEA, to inform them of this circular and to request that they safeguard the application of the provisions protecting the general good by means of an adequate internal control system and audit function.

Summary/Objective:

The supervisory laws and the Regulation of the Bank of 19 May 2015 on the internal control system and the internal audit function (hereinafter the 'Regulation of 19 May 2015')¹ provide that the institutions under supervision should have an adequate internal control system and an adequate and independent internal audit function. In this circular, the Bank provides further information on the manner in which the principles set out in the Regulation of 19 May 2015 will be applied when assessing the proper functioning and organization of the internal control system and the internal audit function within the supervised institutions.

Structure:

¹ Approved by the Royal Decree of 5 July 2015, published in the *Belgian Official Gazette* of 10 July 2015.

Part 1. Scope

Overview of the articles of the Regulation of 19 May 2015

Part 2. Internal control (Articles 2-5)

- 2.1. Definition and components*
- 2.2. General internal control measures*
- 2.3. Specific internal control measures*
- 2.4. Responsibility of the management body*
- 2.5. Responsibility of the senior management, where applicable the management committee*

Part 3. Internal audit (Articles 6-20)

- 3.1. Purpose*
- 3.2. Key features of the internal audit function*
- 3.3. Governance of the internal audit function*

Part 4. The internal audit function's relationship with the supervisory authority (Article 21)

Part 5. The internal audit function's relationship with the external auditor

Dear Madam
Dear Sir

The internal audit function is fundamental to the credit institutions' monitoring of the quality and effectiveness of their internal control, risk management and corporate governance systems and processes. This was stressed repeatedly by the legislator, and the supervisory laws provide that financial institutions must have a permanent adequate, independent internal audit function.

The supervisory authority ensures compliance by the institutions under its supervision with the conditions governing their authorization and pursuit of business. As a condition for authorization, the supervisory laws require institutions to take the measures necessary to enable them to permanently have an adequate internal control system and an adequate, independent internal audit function. The National Bank of Belgium, hereinafter referred to as the Bank, defines how this should be understood in its Regulation of 19 May 2015.

This new circular is in line with the document released by the Basel Committee in June 2012 on *The internal audit function in banks*, and with the Committee's September 2012 *Core Principles*. Account was also taken of the Solvency II Directive² and its implementing regulations.

This circular comprises five parts. Part 1 establishes the scope. Part 2 defines the internal control principles, Part 3 does the same for the internal audit function. Part 4 focuses on the internal audit function's relationship with the supervisory authority. Part 5 addresses the internal audit function's relationship with the external auditor. Each principle is discussed in more detail. The principles will be applied proportionally, taking into account the nature of the institution and that of the services offered.

The Bank notes that, in the past, recommendations concerning internal control were formulated with regard to specific activities, such as the authorized agents of credit institutions, monetary and foreign exchange transactions, risk management and interest rate risk.

Of particular importance in this field is the responsibility of the management body and the senior management, where applicable the management committee.

This circular replaces the following circulars or parts thereof with immediate effect:

- Circular D1 97/4 of 30 June 1997 to credit institutions;
- Annex 1 to Circular D1/EB/2002/6 of 14 November 2002 to stockbroking firms;
- Section 1, Chapter I of the Annex to Circular PPB-2007-5-CPB of 5 March 2007 to settlement institutions and assimilated institutions;
- Circular PPB-2006-8-CPA of 23 May 2006 to insurance companies;
- Circular D1 99/2 of 16 April 1999 to credit institutions and accredited auditors.

This circular should be read in conjunction with the Regulation of 19 May 2015.

² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance.

Part 1. Scope

This circular applies to all institutions mentioned in Article 1 of the Regulation of 19 May 2015.

'The supervisory authority' shall be understood to mean the National Bank of Belgium or, for credit institutions, financial holding companies and mixed financial holding companies, the National Bank of Belgium or the European Central Bank, according to the distribution of competences established by or by virtue of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

Overview of the relevant provisions of the Regulation of the Bank

Articles 2³ to 21 of the Regulation of 19 May 2015 are listed below.

Article 2: Each institution must have an internal control system appropriate to its activities or planned activities, taking into account the nature, size and complexity of these activities and the associated risks.

Article 3: The management body of the institution, where applicable through the audit committee, must verify at least annually whether the institution fulfils the requirement laid down in Article 2, and must examine the appropriate measures taken.

Article 4: The senior management of the institution, where applicable the management committee, must take the measures necessary to ensure that the institution has an adequate internal control system.

Article 5: The senior management of the institution, where applicable the management committee, must, at least annually, inform the management body, the supervisory authority and the accredited auditor about its compliance with Article 2 and about the appropriate measures taken.

Article 6: An effective internal audit function should independently provide reasonable assurance to the management body and the senior management, where applicable the management committee, of the quality and effectiveness of the institution's internal control, risk management and governance systems and processes. The internal audit should assist the members of the management body and the senior management, where applicable the management committee, with their task in this area.

Article 7: The internal audit function must be independent of the audited activities. This requires the function to have sufficient standing and direct and unlimited access to the senior management and the management body, thereby enabling internal auditors to carry out their assignments with objectivity.

Article 8: Professional competence, including the knowledge and experience of each internal auditor and of internal auditors collectively, is essential to the effectiveness of the internal audit function.

Article 9: Internal auditors must act with integrity.

Article 10: Each institution should have an internal audit charter that, at a minimum, should establish:

- a) the internal audit department's standing and authority within the institution;

³ Articles 1 and 22 of the Regulation respectively define its scope and the date of entry into force.

- b) the purpose and scope of the internal audit function;
- c) the key features of the internal audit function;
- d) the obligation of the internal auditors to communicate their results and a description of how and to whom this should be done;
- e) the criteria to be applied for outsourcing certain internal audit activities to external experts;
- f) the terms and conditions according to which the internal audit function can be called upon to provide advice or guidance, or to carry out other special tasks;
- g) the responsibility and accountability of the head of the internal audit function;
- h) a requirement to carry out auditing activities in compliance with generally accepted international auditing standards;
- i) procedures for the coordination of the activities of the internal audit function with the activities of the institution's accredited auditor; and
- j) unlimited access to information, persons and premises of the institution.

The audit charter should be drawn up and reviewed at least every three years by the head of the internal audit function, unless circumstances necessitate a faster revision. This is done in such a way as to ensure the efficiency of the internal audit function.

The audit charter should be approved by the management body of the institution and communicated to all staff members of the institution, both in Belgium and abroad, as well as to its authorized agents.

Article 11: Every activity and every entity of the institution should fall within the scope of the internal audit function.

The head of the internal audit function should draw up an audit plan establishing the assignments to be performed. This audit plan should be based on a risk analysis which comprises all activities and entities of the institution, as well as the entire internal control system. The plan should be accompanied by a list describing the human and material resources necessary for performing the assignments.

The audit plan and the attached list should be submitted for approval to the management body, where applicable through the audit committee.

Article 12: The internal audit function should ensure that its audit plan adequately covers compliance with the legal and regulatory provisions specific to the supervisory status.

Article 13: The management body, where applicable through the audit committee, should oversee and support the internal audit function in the performance of its assignments.

Article 14: The management body and the senior management, where applicable the management committee, should take the measures necessary to ensure that the institution has a permanent internal audit function commensurate with the nature, size and complexity of its operations.

Article 15: The head of the internal audit function should be responsible for the proper management of the function.

Article 16: The internal audit function should be accountable to the management body, where applicable through the audit committee, on all matters related to the performance of its mandate as described in the audit charter.

Article 17: The internal audit function is part of a coherent set of independent control functions between which coordination is essential.

Article 18: In order to guarantee an independent internal audit function for each component of a group, the management body of each component of the group subject to prudential supervision should ensure that either

- a) each component establishes its own internal audit function, which should be accountable to the management body of the group component and should inform the head of the group's internal audit function; or
- b) the internal audit function of the group performs the required internal audit activities for one or more of the group's components in such a way as to enable the management body of that group component to assume its legal and regulatory responsibilities for the internal audit of the group component.

These rules may only be deviated from with the prior written consent of the supervisory authority.

Article 19: The internal audit function cannot be outsourced as a whole; outsourcing should be limited to specific and clearly defined internal audit activities.

Regardless of whether any internal audit activities are outsourced, the management body remains at all times ultimately responsible for the internal audit function.

Article 20: By way of derogation from Article 19, paragraph 1, but without prejudice to Article 19, paragraph 2, smaller institutions may outsource the internal audit function, where applicable through the audit committee. The institution should inform the supervisory authority thereof in advance.

Article 21: The internal audit function of the institution should have regular communication with the supervisory authority on:

- a) the institution's risk areas;
- b) the way in which the risks are managed by the institution;
- c) the measures taken by the institution to address the identified weaknesses.

Part 2. Internal control

2.1. Definition and components

Article 2: Each institution must have an internal control system appropriate to its activities or planned activities, taking into account the nature, size and complexity of these activities and the associated risks⁴.

Internal control refers to the set of measures which, under the responsibility of the management of the institution, should with reasonable certainty allow for:

- orderly and prudent management of the institution, with clearly defined objectives;
- efficient and economical use of the employed resources;
- identification and sufficient management of the risks in order to protect the institution's funds;
- sound and reliable financial and management information;
- compliance with the laws and regulations, as well as with the general policies, plans and internal rules.

This definition is also used in several other circulars that remain fully applicable⁵.

The internal control measures take into account the institution's operational and administrative activities. Internal control is an inherent and permanent part of the operation of an institution under supervision. The institution should devote the resources necessary to ensure with reasonable certainty that the aforementioned objectives are met.

The costs of those resources are a necessary part of the operating costs of the institution.

Internal control comprises the following interconnected components:

- a business environment that encourages a positive attitude towards control;
- the establishment of objectives, followed by the identification and analysis of the risks;
- the establishment of risk management standards and procedures to achieve the established objectives;
- the development of information and communication systems to make known and monitor the objectives related to internal control within the company;
- the identification, recording and reporting of relevant information, so that the different entities within the company are able to effectively perform the responsibilities allocated to them.
- a reliable and timely reporting, both internal and external, using appropriate information systems;
- the monitoring and regular evaluation of the measures taken.

⁴ For credit institutions, see Article 21, § 1, 2° of the Law of 25 April 2014 on the legal status and supervision of credit institutions (hereinafter the 'Banking Law'); for stockbroking firms, Article 62, § 1 of the Law of 6 April 1995 on the legal status and supervision of investment firms (hereinafter the 'Law of 6 April 1995'); for settlement institutions and assimilated institutions, Article 10, §§ 1 and 3 of the Royal Decree of 26 September 2005 on the legal status of settlement institutions and assimilated institutions (hereinafter the 'Royal Decree of 26 September 2005'); for payment institutions and electronic money institutions, Article 14, §§ 1 and 3 and Article 69, §§ 1 and 3 respectively of the Law of 21 December 2009 on the legal status of payment institutions and electronic money institutions, on access to the activity of payment service provider, access to the activity of issuing electronic money and access to payment systems (hereinafter the 'Law of 21 December 2009'); for insurance companies, Article 14bis, §§ 1 and 3 of the Law of 9 July 1975 on the supervision of insurance companies (hereinafter the 'Law of 9 July 1975'), and for reinsurance companies, Article 18, §§ 1 and 3 of the Law of 16 February 2009 on reinsurance (hereinafter the 'Law of 16 February 2009').

⁵ See, for example, the following circulars:

- NBB_2011_09 of 20 December 2011 - The report of the senior management on the assessment of the internal control, the report of the senior management on the assessment of the internal control as regards investment services and activities and the declaration of the senior management on periodical prudential reporting;
- NBB_2012_16 of 21 December 2012 - Duty of the accredited auditors to cooperate.

The ultimate responsibility for ensuring that the institution has an adequate internal control system, rests with the senior management of the institution, where applicable the management committee, subject to supervision of the management body, as specified below.

2.2. General internal control measures

General internal control measures include organisational measures (such as descriptions of functions and responsibilities, hierarchical control, segregation of functions), control measures (such as cross-checks, double signatures, periodic inventory checks), accounting measures (such as account reconciliation, justification of balances, control register keeping) and measures for the protection of persons and assets.

2.3. Specific internal control measures

In addition to the general internal control measures, institutions should pay particular attention to the understanding and management of the risks, and to the integrity and reliability of the financial and management information, including the external reporting obligations. Risks can be divided into, on the one hand, measurable risks such as interest risk, underwriting risk⁶, risk related to the use of models, market risk, credit risk, liquidity risk and, on the other hand, non-measurable risks or risks which are difficult to measure, such as operational risks (including the risk of mistakes and fraud and the risk of legally imperfect agreements and documents (the so-called 'legal risk')) and reputational risk.

As regards the measurable risks, the institution should take appropriate specific measures to monitor and manage the risks. Possible measures include developing policies, establishing appropriately structured limits and identifying, measuring, monitoring and reporting on risks, as well as sufficiently documenting the risk management systems used and the procedures for processing the transactions.

As regards non-measurable risks or risks which are difficult to measure, the institution should take the measures necessary to adequately protect itself, such as a detailed analysis of the risks and the inclusion of internationally accepted standard terms in the agreements.

In order to have complete and reliable financial and management information, the continuity and reliability of the electronic information systems must be guaranteed.

2.4. Responsibility of the management body

Article 3: The management body of the institution, where applicable through the audit committee, must assess at least annually whether the institution fulfils the requirement laid down in Article 2, and must examine the appropriate measures taken⁷.

The management body should assess the effectiveness of the internal control at least once a year. To do so, it relies inter alia on information obtained from the internal audit function, but also on information from the senior management, where applicable the management committee, or from the services, branches and/or functions of the institution (e.g. observations resulting from so-called 'self assessments').

2.5. Responsibility of the senior management, where applicable the management committee

⁶ For (re)insurance companies.

⁷ For credit institutions, see Article 56, § 1 of the Banking Law; for stockbroking firms, Article 62, § 5, paragraph 6 of the Law of 6 April 1995; for settlement institutions and assimilated institutions, Article 10, § 5, paragraph 5 of the Royal Decree of 26 September 2005; for payment institutions and electronic money institutions, Article 14, § 5, paragraph 2 and Article 69, § 5, paragraph 2 respectively of the Law of 21 December 2009; for insurance companies, Article 14bis, § 5, paragraph 2 of the Law of 9 July 1975, and for reinsurance companies, Article 18, § 5, paragraph 5 of the Law of 16 February 2009.

Article 4: The senior management of the institution, where applicable the management committee, must take the measures necessary to ensure that the institution has an adequate internal control system.

It is the responsibility of the senior management, where applicable the management committee, to ensure that the institution has an adequate internal control system which identifies, measures, monitors and controls any risks faced by the institution. It should ensure that each institution has a coherent and transparent organisational structure, including adequate segregation of functions and a transparent and coherent structure for allocating responsibilities. The measures to be taken relate to all aspects of internal control, such as the design, implementation and effective operation of the internal control measures, as well as their regular review.

Article 5: The senior management of the institution, where applicable the management committee, must, at least annually, inform the management body, the supervisory authority and the accredited auditor about its compliance with Article 2 and about the appropriate measures taken⁸.

The assessment of the internal control system requires the use of a generally accepted methodology⁹ that is sufficiently substantiated and is applied in a consistent manner.

The essential elements of an internal control assessment are¹⁰:

- the objectives of the institution, including the level of risk it is willing to accept for each of its activities;
- the identification of the risks faced by the institution;
- the manner in which the institution manages these risks;
- the identification and critical analysis of any deficiencies;
- the follow-up of these deficiencies; and
- the documentation established during the assessment.

Note concerning branches established in Belgium of credit institutions that are governed by the law of an EEA Member State:

The internal control assessment is limited to the measures taken to ensure compliance with the laws, decrees and regulations that apply to these branches by virtue of Articles 315, § 2 (liquidity), 315, § 1 (provisions protecting the general good), 317 (periodic reports) and 318 (accounting, carrying out inventory estimates and publishing annual accounting records) of the Banking Law.

⁸ For credit institutions, see Article 59, § 2 of the Banking Law; for stockbroking firms, Article 62, § 5, paragraph 7 of the Law of 6 April 1995; for settlement institutions and assimilated institutions, Article 10, § 5, paragraph 6 of the Royal Decree of 26 September 2005; for payment institutions and electronic money institutions Article 14, § 5, paragraph 3 and Article 69, § 5, paragraph 3 respectively of the Law of 21 December 2009; for insurance companies, Article 14bis, § 5, paragraph 3 of the Law of 9 July 1975, and for reinsurance companies, Article 18, § 5, paragraph 6 of the Law of 16 February 2009.

⁹ A 'generally accepted methodology' is understood to mean a methodology based on internationally accepted internal control models (e.g. the COSO framework).

¹⁰ See Circular NBB_2011_09 of 20 December 2011 - The report of the senior management on the assessment of the internal control, the report of the senior management on the assessment of the internal control as regards investment services and activities and the declaration of the senior management on periodical prudential reporting.

Part 3. Internal audit¹¹

3.1. Purpose

Article 6: An effective internal audit function should independently provide reasonable assurance to the management body and the senior management, where applicable the management committee, of the quality and effectiveness of the institution's internal control, risk management and governance systems and processes. The internal audit should assist the members of the management body and the senior management, where applicable the management committee, with their task in this area.

The internal audit function is an independent assessment function within the organisation. It plays a crucial role in the independent assessment of the institution's internal control, risk management and governance models and processes. The function must be performed on a continuous and permanent basis, and must cover all activities.

The internal audit function should develop an independent and informed view of the risks faced by the institution. To this end, it should have access to all data and relevant staff. The internal audit function should be able to discuss its views, findings and conclusions directly with the management body, where applicable the audit committee, thereby helping the management body to oversee the senior management, where applicable the management committee.

3.2. Key features of the internal audit function

The features described below are essential for the effective operation of the internal audit function.

(a) Independence and objectivity

Article 7: The internal audit function must be independent of the audited activities. This requires the internal audit function to have appropriate standing and direct and unlimited access to the senior management and the management body, thereby enabling internal auditors to carry out their assignments with objectivity.

The internal audit function must be able to perform its assignments on its own initiative in all departments, establishments and functions of the institution. It must be free to express and make known its findings and assessments.

The internal audit function should not be involved in the operational organisation of the institution, nor in the design, implementation or operation of organisational or internal control measures. Otherwise, the function would be responsible for these activities, which would compromise its independence of judgement.

However, the requirement of objectivity, and therefore impartiality, should not prevent the senior management, where applicable the management committee, from requesting input from the internal audit function on concrete proposals, regarding the internal control principles to be observed in that regard. For instance, senior management (the management committee) may, for reasons of efficiency, ask for advice in case of important reorganisations, when launching important and/or risky new activities, when creating

¹¹ For credit institutions, see Article 21, § 1, 4^o of the Banking Law; for stockbroking firms, Article 62, § 3, paragraph 2 of the Law of 6 April 1995; for settlement institutions and assimilated institutions, Article 10, § 3, paragraph 2 of the Royal Decree of 26 September 2005; for payment institutions and electronic money institutions, Article 14, § 3, paragraph 2 and Article 69, § 3, paragraph 2 respectively of the Law of 21 December 2009; for insurance companies, Article 14bis, § 3, paragraph 2 of the Law of 9 July 1975, and for reinsurance companies, Article 18, § 3, paragraph 2 of the Law of 16 February 2009.

new establishments which carry out risky activities and when implementing or reorganizing risk management systems, management information systems and IT systems (this list is illustrative and not exhaustive). However, the final development and implementation of the measures remain the responsibility of the senior management, where applicable the management committee.

These advisory services must be regarded as a secondary function and should in no case compromise the core mission, responsibility or independence of judgement of the internal audit function.

Continuously performing similar tasks might negatively affect an individual internal auditor's capacity for critical judgement because of habituation and a possible loss of objectivity. The Bank therefore considers it a sound practice, whenever practicable and without jeopardising competence and expertise, to regularly give internal auditors an assignment in a different field within the internal audit function. In addition, the Bank considers it a sound practice to, also without jeopardising competence and expertise, rotate staff between the internal audit function and other functional entities of the institution, in accordance with a written policy in this respect. The Bank believes this policy should be designed to avoid conflicts of interest, including the observance of cooling-off periods, so that members of staff do not audit activities that they have recently carried out.

The independence and objectivity of the internal audit function may be undermined if the remuneration of the internal audit function's staff is linked to the results of the business units under their supervision. The Bank believes their remuneration should be based on the achievement of the internal audit function's objectives, regardless of the performance of the business activities supervised by them¹². Regardless, the remuneration of internal audit function staff members should be structured so as to avoid conflicts of interest which could compromise their independence and objectivity.

(b) Competence

Article 8: Professional competence, including the knowledge and experience of each internal auditor and of internal auditors collectively, is essential to the effectiveness of the internal audit function.

Professional competence depends inter alia on the internal auditor's capacity to collect, understand and examine information, and to evaluate and communicate findings with the stakeholders of the internal audit function. This should be combined with suitable audit methodologies and tools and sufficient knowledge of auditing techniques.

The head of the internal audit function should ensure that the internal auditors have sufficient qualifications and skills to work effectively. The skills required for senior internal auditors should include the abilities to judge the results of an audit and have an impact at the highest level of the institution.

Membership of a professional association, such as *The Institute of Internal Auditors* (IIA) or the *Information Systems Audit and Control Association* (ISACA), or having obtained a vocational certificate, are considered as an asset for internal auditors, particularly for receiving relevant training.

The competence, motivation and continuous training of each internal auditor are essential to the effectiveness of the internal audit department. In this respect, account should also be taken of the increasing technicality and diversity of the assignments, as a result of the developments in the financial sector.

¹² See also Circular CBFA_2009_34 of 26 November 2009, 'Recommendation on sound remuneration policies in financial institutions', and the CBFA Regulation of 8 February 2011 on remuneration policies in financial institutions, approved by the Royal Decree of 22 February 2011 and Art. 35, § 1 of the Banking Law.

The competence, in particular the knowledge and experience, of the internal audit department itself should also be given due consideration. This implies first and foremost that the department as a whole should be sufficiently competent to examine all areas of activity of the institution.

The internal audit department must maintain its competence by systematically and continuously training its entire staff. All staff members should have sufficiently up-to-date knowledge of auditing techniques.

c) Professional ethics

Article 9: Internal auditors must act with integrity.

Integrity establishes trust, as it requires the internal auditor to be straightforward, honest and truthful. These elements provide the basis for reliance on the internal auditor's professional judgement.

Internal auditors should respect the confidentiality of information acquired in the course of their duties. They should not use that information for personal gain or malicious action. They should take the measures necessary to protect the information acquired.

The head of the internal audit function and all internal auditors should avoid conflicts of interest.

Institutions should issue a specific code of ethics applying to the internal audit function. Internal auditors should strictly adhere to this code. This code of ethics should at a minimum address the principles of objectivity, competence, confidentiality and integrity. Codes of ethics issued by *The Institute of Internal Auditors* or the *International Ethics Standards Board for Accountants* provide a good basis for the elaboration of an individual code of ethics specific to each institution.

(d) The audit charter

Article 10¹³: Each institution should have an internal audit charter that, at a minimum, should establish:

- a) the internal audit department's standing and authority within the institution;
- b) the purpose and scope of the internal audit function;
- c) the key features of the internal audit function;
- d) the obligation of the internal auditors to communicate their results and a description of how and to whom this should be done;
- e) the criteria to be applied for outsourcing certain internal audit activities to external experts;
- f) the terms and conditions according to which the internal audit function can be called upon to provide advice or guidance, or to carry out other special tasks;
- g) the responsibility and accountability of the head of the internal audit function;
- h) a requirement to carry out auditing activities in compliance with generally accepted international auditing standards;
- i) procedures for the coordination of the activities of the internal audit function with the activities of the institution's accredited auditor; and
- j) unlimited access to information, persons and premises of the institution.

The audit charter should be drawn up and reviewed at least every three years by the head of the internal audit function, unless circumstances necessitate a faster revision. This is done in such a way as to ensure the efficiency of the internal audit function.

¹³ For credit institutions, see Article 39, § 1 of the Banking Law.

The audit charter should be approved by the management body of the institution and communicated to all staff members, in Belgium as well as abroad, as well as to the authorized agents of credit institutions¹⁴.

The audit charter should specify the internal audit function's right of initiative and should empower the internal audit function, whenever relevant to the performance of its assignments, to initiate direct communication with any member of staff, to examine any activity of the institution, and to have access to any records, files and data of the institution, including management information and the minutes of the consultative and decision-making bodies.

(e) Scope of the internal audit function

Article 11: Every activity and every entity of the institution should fall within the scope of the internal audit function.

The head of the internal audit function should draw up an audit plan establishing the assignments to be performed. This audit plan should be based on a risk analysis which comprises all activities and entities of the institution, as well as the entire internal control system. The plan should be accompanied by a list describing the human and material resources necessary for performing the assignments.

The audit plan and the attached list should be submitted for approval to the management body, where applicable through the audit committee.

No activity or entity of the institution and, as a result, no activity of the branches or subsidiaries and no outsourced activity may fall out of the scope of the internal audit function.

The outsourced activities remain an integral part of the internal audit's audit universe and audit planning. Although the internal audit function may be assisted by external specialists or internal auditors of the service provider for the fulfilment of its on-site supervisory tasks, internal audit remains responsible for the quality and quantity of the audits, and should ensure that the standards and measures applied during the audits comply with the institution's quantitative and qualitative supervisory requirements. The institution's monitoring procedures for important outsourced services should also be subjected to internal audits. Moreover, internal auditors should, when deemed necessary, at all times have full access to the outsourced activities, and be able to carry out their audits. The institution should make the necessary arrangements to ensure this.

The scope of the internal audit should include, in general, the examination and evaluation of the adequacy and effectiveness of the governance, risk management and internal control processes, as well as the discharge of the allocated responsibilities.

The head of the internal audit function should annually draw up an audit plan establishing the activities to be carried out. This audit plan should be based on a robust and methodological risk analysis, the principles of which should be laid down in writing and evaluated regularly. The risk analysis should comprise all activities and entities of the institution, as well as the entire internal control system. On the basis of the results of the risk analysis, a multi-year plan should be established, taking into account the level of risk associated with the activities. This multi-year plan should also take into account the expected developments and innovations, the typically higher level of risk associated with new activities, and the objective of examining all activities and entities within a reasonable period of time (principle of the audit cycle). On the basis of the above, the size, nature and frequency of the assignments to be carried out should be determined.

The audit plan should be realistic and flexible, i.e. allow time for other assignments and activities such as specific examinations, advice and training.

¹⁴ The notion of 'authorized agent' is explained in Circular B93/5 of 21 October 1993 to credit institutions.

It should be accompanied by a list of the human and material resources required. With regard to human resources, both the number of persons and the requisite competence should be taken into account.

The audit plan should be approved by the management body, where applicable through the audit committee. This approval implies that senior management, where applicable the management committee, provides the internal audit department with the resources necessary to carry out the audit plan.

Article 12: The internal audit function should ensure that its audit plan adequately covers compliance with the legal and regulatory provisions specific to the supervisory status.

The internal audit function should have sufficient resources to monitor compliance with the legal and regulatory provisions specific to the supervisory status. The supervisory status comprises the supervisory law and the regulatory and other provisions implementing the said law. These concern in particular, but not exclusively, areas such as the key functions, the adequacy of the regulatory own funds, liquidity control and the compliance and finance function. These elements will be clarified below.

(i) Risk management

An institution's risk management supports its compliance with prudential regulations. Therefore, the internal audit function should include at least the following aspects in its evaluation of the risk management function:

- the organisation, competences and proper operation of the risk management function (including market, credit, liquidity, interest rate, operational, insurance, underwriting and legal risks, and risks related to the use of models, insofar as the institution faces these risks);
- an assessment of the processes leading to the establishment of the level of risk the institution wishes to face (sometimes referred to as risk appetite), as well as the observations and reservations expressed and decisions taken by the risk management function;
- the adequacy of risk management systems and processes for identifying, measuring, assessing, supervising, responding to, and reporting on all the risks faced by the institution;
- the integrity of the information systems of the risk management functions, including the accuracy, reliability and completeness of the data used; and
- the approval and regular maintenance of the risk models used by the institution, including verification of the consistency, timeliness, independence and reliability of data sources used in such models.

If the risk management function has not informed the management body about the existence of a significant divergence of views between the senior management, where applicable the management committee, and the risk management function regarding the level of risk faced by the institution, the head of the internal audit function should inform the management body about this divergence, if he is aware of it.

(ii) Regulatory own funds and liquidity

Where an institution is subject to a regulatory framework for regulatory own funds, the internal audit function will assess whether the organization of the institution allows it to comply with these provisions, including an evaluation of the system used by the institution for identifying and measuring its regulatory own funds and for assessing the adequacy of its regulatory own funds in relation to the risks incurred and the required minimum ratios.

The internal audit function should review the processes for stress testing the regulatory own funds levels, taking into account the frequency of such tests, their purpose (internal monitoring vs. regulator-imposed), the reasonableness of the scenarios and the underlying assumptions employed, and the reliability of the processes used.

Additionally, if the institution is subject to a regulatory framework for liquidity, the evaluation of the institution's systems and processes for measuring and monitoring its liquidity position in relation to its risk profile, external environment, and minimum regulatory requirements, should fall within the scope of the internal audit function.

(iii) Regulatory and internal reporting

Internal auditors should regularly evaluate the effectiveness of the reporting process, paying particular attention to the timeliness, reliability, relevance and completeness of the reports for both internal management and the supervisory authority.

This includes standardised reports (e.g. Schedule A, FINREP and COREP, RSR¹⁵) as well as other regulatory reports and public disclosures (such as the Pillar 3 data for banks or SFCR¹⁶ for insurance companies).

(iv) Compliance

The evaluation of the compliance function falls within the scope of the internal audit function and should be subject to regular review, including an assessment of the effectiveness of the compliance function.

(v) Accounting function

This function is responsible for the integrity and accuracy of financial data and reporting. It is important that the processes established within the accounting function are subject to periodic review by the internal audit function.

The internal audit function should also monitor the assessment of the systems and methods used for the valuations, including the availability and reliability of the data sources used and the reliability of the estimations, including the fair values.

¹⁵ Regular Supervision Report (for insurance companies).

¹⁶ Solvency and Financial Condition Report.

The internal audit function should also include in its scope (non-exhaustive list):

- the organisation and mandate of the accounting function;
- the adequacy and integrity of the financial data and of the accounting systems and processes for completely identifying, capturing, measuring and reporting key data, such as the result, the valuation of financial instruments and impairment allowances.
- the internal control measures taken, such as reconciliations and reviews of adjustments.

(vi) Actuarial function

The scope of the internal audit function should also include the evaluation of the actuarial function.

The internal audit function should evaluate the processes established within the actuarial function. As part of his verification of the financial and operational information, the internal auditor should ensure that the right persons (management committee, ...) receive the information and advice that they are meant to be given by the head of the actuarial function.

3.3. Governance of the internal audit function

(a) Responsibility of the management body, where applicable the audit committee, and of the senior management, where applicable the management committee.

Article 13: The management body, where applicable through the audit committee, should oversee and support the internal audit function in the performance of its assignments.

The monitoring of the internal audit function requires it to be able to perform its tasks in an independent manner, in accordance with Article 7. It also includes the review and approval of the audit plan, its scope, and the budget allocated to the function.

The management body, where applicable through the audit committee, should examine the important audit reports and ensure that the senior management, where applicable the management committee, takes the measures necessary to correct identified weaknesses.

Article 14: The management body and the senior management, where applicable the management committee, should take the measures necessary to ensure that the institution has a permanent internal audit function commensurate with the nature, size and complexity of its operations.

The tasks and responsibilities of the management body and the senior management, where applicable the management committee, include taking the measures necessary to provide the institution with a permanent internal audit function, commensurate with its size, the nature of its operations and the complexity of its organisation.

The senior management, where applicable the management committee, should inform the internal audit function in a timely manner of new developments, initiatives, project, products and operational changes. Internal audit should also be informed of the known and expected risks associated with these events in a timely manner.

Senior management, where applicable the management committee, should, in consultation with the internal audit function, establish a procedure ensuring adherence to the internal audit function's recommendations. Attention should be paid to the respective responsibilities of the relevant parties for correcting the identified deficiencies, the approval by the relevant management, the possible role of the senior management, where applicable the management committee, in case of lasting disputes, and the timeframe within which progress should be made.

The internal audit function should develop an appropriate method for reviewing compliance with its recommendations. The findings should be communicated on at least a half-yearly basis to the management body, where applicable to the audit committee.

(b) Management of the internal audit function

Article 15: The head of the internal audit function should be responsible for the proper management of the function.

The head of the internal audit function should ensure, inter alia:

- compliance with the principles of the Regulation of 19 May 2015;
- the establishment, regular review and approval of an audit charter;
- the establishment and approval of an audit plan;
- the pursuit of an adequate human resources policy;
- the establishment and approval of written policies and procedures for staff;
- the implementation of a quality control and continuous improvement system;
- the development of an appropriate method for monitoring the recommendations;
- the performance of the audits in accordance with internationally accepted standards and with due observance of a relevant code of ethics.

The head of the internal audit function should continuously assess the competence and training of his staff. Focus should also be placed on quality assurance within the function.

The internal audit function should regularly inform the management body, where applicable through the audit committee, about the state of affairs and the achievement of its objectives. In particular, the execution of the audit plan should be elaborated on. The management body, where applicable through its audit committee, should have regular deliberations on the organisation of the internal audit function, the execution of the audit plan, the resources employed (both human and material), the activity reports, the summary of the recommendations made and the state of their implementation.

The head and staff of the internal audit function perform integrity-sensitive functions. The management body, where applicable through the audit committee, should ensure that they are persons of integrity, and should pay attention to relevant background history when they are appointed.

The management body should inform the supervisory authority when the head of the internal audit function is relieved of his duties, with a statement of the reason(s) for dismissal. The supervisory authority may consequently hold a meeting with the dismissed head of the internal audit function.

(c) Reporting by the internal audit function

Article 16: The internal audit function should be accountable to the management body, where applicable through the audit committee, regarding the performance of its mandate as described in the audit charter.

The internal audit function should inform the senior management, where applicable the management committee, of her observations. This will allow these persons (the management committee) to take the measures necessary to remedy the identified deficiencies and weaknesses. The head of the internal audit function must notify the management body, where applicable through the audit committee, on the state of compliance with the recommendations.

In addition, the head of internal audit should at least annually confirm the operational independence of the internal audit function to the management body, where applicable through the audit committee.

The head of the internal audit function should permanently be able to directly, i.e. without prior consultation with the senior management/ management committee or audit committee, and on his own initiative, contact the chairman of the management body, the accredited statutory auditor or the supervisory authority when he/she deems this necessary.

(d) The internal audit function's relationship with the operational services and other independent control functions

Article 17: The internal audit function is part of a coherent set of independent control functions between which coordination is essential.

The supervisory laws provide that each institution should have several independent control functions: a compliance function, a risk management function, where applicable an actuarial function, and an internal audit function. Each of these functions, together with the persons in the hierarchy responsible for the operational services, forms a line of defence against the risks faced by the institution:

- First line: internal control in the operational services;
- Second line: the compliance and risk management functions, the actuarial function for (re)insurance companies;
- Third line: the internal audit function.

The ultimate responsibility for the design, implementation and operation of specific internal control measures lies with the management of the operational services.

The risk management function is the function charged by senior management with the implementation of the risk management system, i.e. the set of strategies, processes and procedures required for the monitoring of the risks or combinations of risks to which the institution is or could be exposed, except for compliance risk.

The compliance function assesses the compliance risk of the institution and ensures that the institution complies with the laws, regulations and rules of conduct inherent to its areas of work.

The actuarial function evaluates the actuarial techniques applied for tariffs, establishment of technical provisions, reinsurance and product profitability.

The internal audit function assesses the adequacy of the internal control measures, including the risk management function, the compliance function and the actuarial function. Members of staff of the internal audit function cannot carry out tasks that fall within the scope of the risk management function, the compliance function or the actuarial function.

The independent control functions should - whilst maintaining their respective responsibilities - coordinate their activities and ensure an appropriate exchange of relevant information. Members of staff of one control function should share findings that are relevant to another control function with that function.

More generally, the supervisory laws¹⁷ clearly state that each institution should have an appropriate governance structure, comprising in particular:

- a coherent and transparent organisational structure, including adequate segregation of functions;
- a clear, transparent and coherent structure for allocating responsibilities.
- appropriate procedures for the identification, measurement, administration and monitoring of the internal reporting of important risks faced by the institution because of its (planned) activities;
- remuneration policies and practices that are in accordance with and contribute to a sound and effective risk management¹⁸.

¹⁷ For credit institutions, see Article 21, § 1, 1° of the Banking Law; for stockbroking firms, Article 62, § 2 of the Law of 6 April 1995; for settlement institutions and assimilated institutions, Article 10, § 2, paragraph 1 of the Royal Decree of 26 September 2005; for payment institutions and electronic money institutions, Article 14, §§ 1 and 2, and Article 69, §§ 1 and 2 respectively of the Law of 21 December 2009; for insurance companies, Article 14bis, §§ 1 and 2 of the Law of 9 July 1975, and for reinsurance companies, Article 18, § 2, paragraph 1 of the Law of 16 February 2009.

¹⁸ For credit institutions, see Article 21, § 1, 3° of the Banking Law; for stockbroking firms, Article 62, § 2 of the Law of 6 April 1995. The other supervisory laws do not contain similar provisions. However, the Bank encourages

The institution should ensure compliance with the legal organisational requirements. Each institution should, in particular, implement an appropriate segregation of functions and have a coherent structure for allocating responsibilities.

Controls and procedures should be documented in writing, including the relationships between the controls and procedures of different services.

The documentation of the relationships between different, cooperating services enhances the clarity of their respective duties and makes it easier to make agreements.

(e) The internal audit function within a group

Article 18: In order to guarantee an independent internal audit function for each component of a group, the management body of each component of the group subject to prudential supervision should ensure that either

- a) each component establishes its own internal audit function, which should be accountable to the management body of the group component and should inform the head of the group's internal audit function; or
- b) the internal audit function of the group performs the required internal audit activities for one or more of the group's components in such a way as to enable the management body of that group component to assume its legal and regulatory responsibilities for the internal audit of the group component. Each group component should assign a person responsible for the internal audit function who has sufficient knowledge of and experience in the field of internal audit.

These rules may only be deviated from with the prior written consent of the supervisory authority.

The management body of each component of a group remains responsible for complying with the principles of the Regulation of 19 May 2015 at the level of the group component. This implies, inter alia, that the internal auditors carrying out activities for a component of the group should report to the management body, where applicable through the audit committee, of the group component.

Each group component should assign a person responsible for the internal audit function. This person should possess sufficient knowledge of and experience in the field of internal audit. He/she should critically examine the activities of the internal audit function of the group carried out within the group component.

The management body and the senior management, where applicable the management committee, of the parent company are responsible for complying with the principles of this circular for the parent company and for the group as a whole.

The head of the internal audit function at the level of the parent company should define the group's internal audit policy and strategy, and should determine the organisation of the internal audit function, both at the parent and subsidiary levels, the latter in consultation and in agreement with the subsidiaries' respective boards of directors and in accordance with local laws and regulations.

Belgian branches of institutions governed by the law of non-Member States of the European Economic Area fall within the scope of the Regulation of 19 May 2015, and should have an internal audit function which complies with the principles of the said Regulation. This internal audit function should be organised in accordance with the Belgian legal and regulatory provisions.

other institutions to develop remuneration policies and practices that are in accordance with and contribute to a sound and effective risk management.

Given the wide variety of groups, the aforementioned requirements may be deviated from with the prior consent of the supervisory authority. The objectives set forth in the Regulation of 19 May 2015, as clarified in this circular, should be met at all times.

(f) Outsourcing of internal audit activities

Article 19: The internal audit function cannot be outsourced as a whole; outsourcing should be limited to specific and clearly defined internal audit activities.

Regardless of whether any internal audit activities are outsourced, the management body remains at all times ultimately responsible for the internal audit function.

The supervisory laws provide that each institution should take the measures necessary to permanently have an adequate internal audit function. This implies that the internal audit function as such cannot, in principle, be outsourced. However, this does not preclude the possibility of outsourcing certain clearly specified internal audit activities. Outsourcing on a limited and targeted basis can bring benefits such as access to specialised expertise and knowledge for an internal audit activity where the expertise and knowledge are not available within the institution. Outsourcing could also offer a temporary solution where the institution lacks the necessary resources to implement the audit plan. Institutions should be able to justify the outsourcing of internal audit activities.

The head of the internal audit function, working under the responsibility of the management body, where applicable through the audit committee, should ensure that the supplier of the internal audit activities performs this task according to the principles laid down in the Regulation of 19 May 2015, as explained in this circular, and in accordance with the principles established in the institution's internal audit charter.

To preserve the independence and objectivity of the internal audit function, it is important to ensure that the supplier of the internal audit activities, hereinafter referred to as the expert, has not been previously engaged in a consulting activity in the same area, unless adequate measures have been taken to guarantee the supplier's objectivity, for example if a reasonably long cooling-off period has elapsed. Attention should also be paid to other threats to the expert's objectivity such as financial interests, business and personal relationships.

The expert should in all respects be completely independent of the institution's accredited statutory auditor or his office, and of the group to which the auditor or his office belongs.

The head of the internal audit function, working under the responsibility of the management body, where applicable through the audit committee, should ensure that any specialised knowledge of the supplier of internal audit activities is assimilated into the institution. This can be achieved by, for example, having an internal auditor assist the supplier.

The principles of Circular PPB 2004/5 of 22 June 2004 (credit institutions and investment firms), of Circular PPB-2006-1-CPA of 6 February 2006 (insurance companies) and of Circular PPB-2007-5-CPB of 5 March 2007 (settlement institutions and assimilated institutions) regarding sound management practices in outsourcing are applicable in full.

Good practice

The institution may, inter alia, apply the following criteria when assessing the competence and availability of the internal audit activities expert:

- *competence*
 - *personal experiences with previous work from the supplier;*
 - *negotiations with the supplier;*
 - *knowledge and qualifications of the supplier;*

- *relevant articles and books published by the supplier;*
- *applicable standards for the execution of the work requested;*
- *membership of a professional organisation.*

- *availability*

- *geographical location of the supplier;*
- *availability of time and resources.*

(g) *The internal audit function in smaller institutions.*

Article 20: By way of derogation from Article 19, paragraph 1, but without prejudice to Article 19, paragraph 2, smaller institutions may outsource the internal audit function, where applicable through the audit committee. The institution should inform the supervisory authority thereof in advance.

Smaller institutions may, for organisational or economic reasons, outsource internal audit activities in part or even in full – the latter case constituting an outsourcing of the internal audit function as such, by way of derogation from Article 19, paragraph 1 of the Regulation of 19 May 2015 – to an expert operating under the direct responsibility of the management body which, in accordance with Article 19, paragraph 2 of the Regulation of 19 May 2015, remains ultimately responsible for this matter.

All principles laid down in the Regulation of 19 May 2015, as discussed in this circular, will continue to apply *mutatis mutandis*.

The management body, where applicable through the audit committee, should approve the risk analysis conducted by the expert and the audit planning.

The expert should in all respects be completely independent of the institution's accredited statutory auditor or his office, and of the group to which the auditor or his office belongs.

The head of the internal audit function, working under the responsibility of the management body, where applicable through the audit committee, should ensure that the supplier of the internal audit activities performs this task according to the principles laid down in the Regulation of 19 May 2015, as explained in this circular, and in accordance with the principles established in the institution's internal audit charter.

The institution should inform the supervisory authority in advance where it wishes to outsource all internal audit tasks to an expert. Before tasking the expert with the internal audit activities, the institution should take into account any observations made by the supervisory authority.

The principles of Circular PPB 2004/5 of 22 June 2004 (credit institutions and investment firms), of Circular PPB-2006-1-CPA of 6 February 2006 (insurance companies) and of Circular PPB-2007-5-CPB of 5 March 2007 (settlement institutions and assimilated institutions) regarding sound management practices in outsourcing are applicable in full.

Good practice

The institution may, inter alia, apply the following criteria when assessing the competence and availability of the internal audit activities expert:

- *competence*

- *personal experiences with previous work from the supplier;*
- *negotiations with the supplier;*
- *knowledge and qualifications of the supplier;*
- *relevant articles and books published by the supplier;*

- *applicable standards for the execution of the work requested;*
- *membership of a professional organisation.*

- availability

- *geographical location of the supplier;*
- *availability of time and resources*

Part 4. The internal audit function's relationship with the supervisory authority

Article 21: The internal audit function of the institution should have regular communication with the supervisory authority on:

- a) the institution's risk areas;**
- b) the way in which the risks are managed by the institution;**
- c) the measures taken by the institution to address the identified weaknesses.**

The internal audit function is a key building block of the institution's internal control system because it provides an independent assessment of the adequacy of, and compliance with, the institution's policies and procedures.

The supervisory authority may share information available to it with the institution's internal audit function where this could increase the effectiveness of the internal audit function. Also, the supervisory authority may make specific recommendations for strengthening the internal audit function and the internal control environment.

Formal minutes of the periodic meetings should be drafted by the supervisory authority, unless this is deemed unnecessary by the head of internal audit and the supervisory authority. The minutes should be approved by the institution's head of the internal audit function.

The frequency of the periodic meetings depends on the importance of the institution. In systemically important institutions, these meetings should be held on a quarterly basis; in other institutions, they should be held at least annually.

The head of the internal audit function should attend the meeting himself and may be assisted by staff.

All matters covered by the internal audit function can be discussed during the meeting. These matters should be addressed in relation to the internal audit function's role and task in this area, without prejudice to the tasks and responsibilities of other functions or entities. In any case, certain subjects closely related to the regulatory provisions are of particular importance to the supervisory authority, in particular the requirements in the area of regulatory own funds, liquidity and significant risks. In this respect, see also Article 12 and its explanatory paragraphs.

The internal audit function is well placed to provide the supervisory authority with insight into the institution's business model, including risks relating to the institution's business activities, processes and functions and the effectiveness of the control and oversight of these risks, such as:

- application and effectiveness of the risk assessment and risk management, in particular for important risks such as credit risk, market risk, liquidity risk, operational risk (including IT and business continuity), and other relevant risks;
- contingency planning;
- outsourcing arrangements; and
- fraud risk.

To the extent that accounting records are essential for the application of certain regulatory provisions, the supervisory authority may exchange views with the internal audit function on the latter's activities relating to:

- measurement (including fair values) and impairment of financial instruments;
- important transactions in financial instruments with a regulatory impact; and
- other judgemental accounting areas, including the estimates used in the annual accounts.

The supervisory authority may also have an interest in other fields, such as important business transactions, anti-money laundering processes and controls and management of conflicts of interest.

Finally, it is important for supervisory authorities to gain insight into the processes for objective setting and strategic decision making and into the quality and involvement of the institution's senior management (management committee) and governance.

The supervisory authority will regularly assess whether the institution's internal audit function complies with the legal and regulatory requirements, as well as with the principles of the Regulation of 19 May 2015, as specified in this circular. Any identified deficiencies or weaknesses in the internal audit function will be reported to the management body of the institution, where applicable through the audit committee, which will be asked to take remedial measures. If these do not produce the desired result, the supervisory authority may take more formal action, e.g. impose corrective measures within a specified timeframe.

Part 5. The internal audit function's relationship with the external auditor

The external auditors' relationship with the internal audit function is governed by the international standards which must be applied in Belgium when auditing public interest entities, including banks and insurance companies¹⁹.

International standard ISA 610 (as reviewed in 2013) allows external auditors, under certain conditions, to call on the internal audit function for carrying out certain external audit activities. It is expressly stated that the external auditor should remain responsible for any activities related to the audit of the annual accounts.

The Bank draws attention to the fact that the internal audit function is allowed to accede to such requests made by the statutory auditor, insofar as this does not jeopardise its own activities. The primary focus of collaboration should be to avoid double audits, but its main purpose should not be the reduction of external audit costs.

Yours faithfully

Jan Smets

¹⁹ This concerns international standard ISA 610 - using the work of internal auditors. The international standards on auditing should be used for auditing the financial statements of public interest entities (see 'Norm inzake de toepassing van de ISA's in België' (Standard on the application of the ISAs in Belgium); see the publication of 16 April 2010 in the Belgian Official Gazette of the notice on 1 April 2010 by the Minister of Economy concerning the approval of the standard on the application of the ISAs in Belgium).