



**Financial Services
Commission**

Response to Consultation Paper **The Internal Audit Function in Banks**

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Summary

The FSC recently issued a consultation paper setting out guidance in respect of the internal audit function of banks. The basis of the consultation paper was the supervisory guidance, and overarching principles, issued by the Basel Committee on this matter.

The purpose of the guidance was to address bank supervisory issues and promote strong internal practices within banks. The guidance was outlined in 20 principles that have been divided into 3 sections: principles 1 to 15 relate to the expectations relevant to the internal audit; principle 16 relates to the relationship of the supervisory authority with the internal audit function, and; principles 17 to 20 relate to the supervisor's assessment of the internal audit function.

Basis of consultation

The consultation paper focused on principles 1 to 15 which relate to the internal audit function of banks. The remaining principles did not form part of the paper as these relate to principles that apply to the supervisory authority. Stakeholders were asked to consider the principles and guidance, as well as the ultimate objective of these principles. Stakeholders were also asked to note that the guidelines took into account the principle of proportionality.

Outcome of consultation and summary of responses received

The consultation period ended on 30 April 2013.

Two responses were received. Both of these stated that the respondents had no comments to make on the consultation paper.

The paper has now been submitted to the Minister with Responsibility for Financial Services for his consideration. The final Guidance Note is expected to be published in June.

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