

ENHANCED CORPORATE GOVERNANCE

New Rules To Protect Investors

by William G. Bishop III, CIA

(NAPSA)—There's good news for investors, internal auditors, and others concerned about the way corporations are governed.

After a year of deliberation, the U.S. Securities and Exchange Commission (SEC) has approved new rules proposed by the New York Stock Exchange (NYSE) and the NASDAQ Stock Market Inc. (NASDAQ) designed to improve their listed companies' governance standards.

The NYSE rules include a requirement, recommended by The Institute of Internal Auditors (IIA), that NYSE-listed companies have an internal audit activity.

We at The IIA believe the SEC's approval of enhanced governance standards for listed companies will result in greater protection for investors. Restoration of confidence in publicly released reports, however, must include diligence, competency, and conscientious effort by all four cornerstones of effective corporate governance: directors, management executives, internal auditors, and public accountants. However, new rules require internal auditing and grant the audit committee oversight responsibilities. The NYSE did not define internal auditing or amplify the benefits of having an internal audit activity.

By The IIA's globally recognized definition, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

To further strengthen and sup-



Many see internal auditors as one of the cornerstones of effective corporate governance.

port critical governance initiatives and ensure that internal auditing serves the audit committee as intended, internal audits should be required to be performed by competent staff in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Internal auditors can demonstrate professional competence by compliance with the *Standards*, obtaining the Certified Internal Auditor designation, and implementation of a quality assurance program with periodic external assessments of the internal audit activity.

To learn more, visit The IIA's Web site at www.theiia.org.

William G. Bishop III, CIA, is the president of The Institute of Internal Auditors. The IIA is an international professional association with approximately 90,000 members. It is the internal audit profession's acknowledged leader, recognized authority, and principal educator worldwide.