



Institute of Internal Auditors
UK AND IRELAND

Mr Chris Hodge
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Sent by email to: codereview@frc.org.uk

13 March 2008

Ref:

Dear Chris

2007 Review of the Combined Code

Thank you for the opportunity to comment on the proposed changes to the Combined Code. In view of the main conclusion that there is little appetite for substantial change at this time our observations regarding the practical amendments that have been suggested are quite straight forward.

The comments of the Institute of Internal Auditors – UK and Ireland (IIA) have been developed through consultation with our members and are summarised as follows:

1. With regard to removing the restriction in provision A.4.3 on an individual chairing more than one FTSE 100 company, we agree with ABI's remarks that "the need for individuals to have sufficient time to provide to the role ... is already made clear in the rest of this paragraph of the Code" and their argument that the restriction is only one potential source of conflict. However, we are concerned that this change might signal to directors that the broader objective – that chairs have enough time and availability to be devote to their role – is not considered as important as before. Perhaps it might be more effective to change the restriction to a suggested illustration of the sort of situations, which should lead to boards enquiring rigorously about the effectiveness of the chairman.
2. Amending the code to allow the chair of companies outside the FTSE350, to become a member of the Audit Committee is practical. It is also a useful change since, when chairs currently do attend audit committee meetings, their involvement tends to raise the stakes and makes managers pay more attention to their responses and actions. This increases the profile of the committee and makes it even more effective. However, in allowing this step we agree that it should be emphasised that the chair of the company must not be able to chair the meetings and that there remains a need for two independent non-executive directors on the board.

We hope you will find our comments constructive and we are quite happy for these be considered as part of the public record.

Yours Sincerely

Jackie Cain
Technical Director