

September 10, 2009

Elizabeth M. Murphy  
Secretary, U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Response e-mailed to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Re: **SEC RELEASE NOS. 33-9052; 34-60280; IC-28817; File No. S7-13-09**  
PROXY DISCLOSURE AND SOLICITATION ENHANCEMENTS

Dear Ms. Murphy:

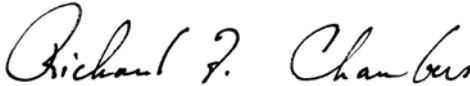
The Institute of Internal Auditors (IIA) welcomes the opportunity to respond to the SEC's proposed Proxy Disclosure and Solicitation Enhancements. Our comments are based on a thorough analysis and discussion, utilizing a core team of audit experts who serve on The Institute of Internal Auditors' Professional Issues Committee.

In general, the proposal for enhanced disclosures is a significant and positive step that we support. However, we suggest a different approach in some areas. For example, rather than requiring that specific information be disclosed for the investor to make a decision concerning the independence and objectivity of the Compensation Committee's consultant, we advocate a formal assessment of independence be made by the Compensation Committee and included in the report on Form 10-K. We also believe that disclosures related to the Board's oversight of risk management should be strengthened by inclusion of a formal Board assessment of management's processes. Finally, we continue to believe that the Board's ability to provide effective governance and oversight of the corporation is enhanced by an effective, independent, and resourced internal audit function — and have included related suggestions for consideration.

Our responses to the specific issues can be found in Attachment A.

The IIA welcomes the opportunity to discuss any and all of these recommendations with you. We thank you in advance for considering our comments. Should you have any questions or need any additional information do not hesitate to contact me.

Best Regards,



Richard F. Chambers

**About The Institute of Internal Auditors**

The IIA is the global voice, acknowledged leader, principal educator, and recognized authority of the internal audit profession and maintains the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These principles-based standards are recognized globally and are available in 29 languages. The IIA represents more than 150,000 members across the globe, and has 99 affiliates in 165 countries that serve members at the local level.

**Attachment A**  
**Institute of Internal Auditors' (IIA)**  
**Response to SEC's Proxy Disclosure and Solicitation Enhancements**

The following discusses our specific comments on each of the areas covered by the proposed rule.

1. With respect to risk and compensation, we suggest that the company's report on Form 10-K include an assertion by the Compensation Committee that:
  - a. It has reviewed and approved all compensation programs for executives and others whose actions may have a significant impact on the level of risks taken and managed by the organization (including the chief internal audit executive).
  - b. The compensation programs are consistent with the longer-term interests of the organization, not only in considering the potential for increasing risks to the organization, but also in ensuring that risks in general are managed within the risk appetite and tolerances approved by the Board of Directors.
  - c. It has received formal assurances from (named) management that compensation decisions (whether for individuals or groups) take into consideration whether risks have been managed within the risk appetite and tolerances approved by the Board of Directors.
  - d. It has reviewed and approved all compensation awards and payouts to the CEO and officers, and has taken into consideration whether any excessive risks were taken during the period that were not pre-approved by the Board.
  - e. It has received a formal assurance from management that processes are in place to effectively identify, assess, and manage material risks to the business.
2. We support enhanced disclosures that will make it clearer to the investor how executives are compensated. In particular, we encourage the SEC to consider enhancing disclosures to clarify and simplify the presentation, including explanatory narratives, of the potential payouts should executives leave the company.
3. We believe that enhanced disclosures regarding director qualifications would improve governance. With respect to the question on the timing and extent of such disclosures, we believe qualifications to serve on the Board and each committee should be disclosed for the full board and slate of nominees annually (or more frequently if appropriate to an investor decision), so the investor can assess total board and committee qualifications. We suggest this apply to each committee, as different boards have different committee structures and each committee may be involved in decisions and oversight activities material to the company.
4. We support the separation of the positions of CEO and chair of the board of directors. We also recommend that the company disclose the specific responsibilities of and duties performed by each.
5. As noted above, we believe significantly enhanced procedures and disclosures should be made concerning oversight of risk management. We recommend that the report on Form 10-K include an assertion that:
  - a. The Board has approved the organization's risk appetite and tolerances.
  - b. The Board has approved the risk management policy.
  - c. The Board has received formal assurance from (named) management that an effective process is in place to identify risks to the organization, assess them, determine and assign responses, and manage risks within the Board-approved appetite and tolerance.

- d. Management has formally reported to the Board, or a committee of the Board, any and all situations where risks have exceeded approved tolerances.
  - e. The Board, or a committee of the Board, has obtained a formal report from the internal auditor on the adequacy of management's risk management processes.
6. We suggest that the proposed disclosures relating to the independence of any consultant engaged to assist the Compensation Committee should be changed. The committee should provide an assertion, included in the report on Form 10-K, that it has assessed the independence of any consultant and determined that the consultant is both independent and objective. It should describe the standards used to assess whether any other fees obtained by the consultant might impair its objectivity.
  7. We concur with the proposed disclosure of voting results being moved to the Form 8-K.
  8. We do not have any comments or suggestions on the proposed changes to disclosures relating to the proxy process.
  9. With respect to whether there should be different disclosure requirements for different types of corporations, we believe that there is value in consistency.
  10. Because it is material to the adequacy of internal controls and risk management processes, we believe that the report by the Audit Committee included in the 10-K should include disclosures that describe the internal audit department:
    - a. Whether an internal audit function exists and to whom it reports. If the function does not report functionally to the Audit Committee and the CEO, the Audit Committee should disclose why this is considered appropriate.
    - b. Whether the internal audit function provides a formal assessment of the company's risk management and related internal control processes.
    - c. Whether the Audit Committee is satisfied that the internal audit function is sufficiently resourced to consider the more significant risks to the enterprise.
    - d. Whether the Audit Committee has received an independent assessment of the quality of the internal audit function, and whether there were any deficiencies of significance that have not been addressed.
  11. Finally, we suggest enhanced disclosure of the process for and results of the Board's assessment of the company's governance processes (including the integrity of information used by the board and its committees for governance and oversight, such as for executive compensation) — including whether the Board has placed reliance, at least in part, on a formal assessment by the internal audit function.