

CORPORATE GOVERNANCE REFORM IN ITALY DURING 2000-2017 (CODICE DI AUTODISCIPLINA 2015)

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Abstract

In that paper, I want to analyze what is the best corporate governance model in the European Union. I start to define what can be the best corporate governance reform in Europe and in particular in Italy. The model that I use is the Italian Code for corporate governance where there is specific protection for the owners and the other shareholders. The statistical sample is the main companies in Italy and in the EU where the composition of the sample is the board of directors of them. The contribute of my paper is to find an original analysis of the bests code of behaviour inside of a board of director in terms of the level of communication inside of the organization and outside. For achieving that aim the corporate governance has to introduce a correct internal auditor an organized company structure and an efficient audit of a board of directors.

1. INTRODUCTION

The purpose of the paper for the Conference is to contribute to the debate on corporate governance models in European transition economies. The paper is structured in the following sections: 1.1. Corporate governance reform definition and principles that provides an analysis of the company's corporate governance framework is based on the following principles accountability, fairness, transparency, and responsibility. 1.2. The general corporate governance structure related to the general meeting with the shareholders, the supervisory board, revision

commission, and the corporate secretary. 1.3. Good board practices characterized by authority, size, terms, composition, and independence. 1.4. Executive board with working procedures, responsibilities and duties. 1.5. Shareholder rights in the merit of their activities and their contracts. 1.6. Transparency and information related to the information and communication procedure. The possible questions of my paper are related if this reform is profitable for the Italian companies and if not where is the possible modification for doing that. In conclusion, the company ensures that beneficial owners of five percent or more of the voting shares are disclosed. Any corporate relations in case of groups of companies are also clearly identifiable and disclosed to the public.

1.1. Corporate governance reform definition and principles

I want to introduce that the company defines corporate governance as a set of structures and processes for the direction and control of companies, which involves a set of relationships between the company's shareholders, supervisory board, and executive bodies with the purpose of creating long-term shareholder value. It views corporate governance as a means to improve operational efficiency, attract financing at a lower cost, and build a better reputation. It also views a sound system of governance as an important contribution to the rule of law in the Russian Federation, and an important determinant of the role of the company in a modern economy and society.

The company code sets out the company's corporate governance framework and is based on Russian legislation, the Federal Commission for the Securities Market's Code of Corporate Conduct (FCSM Code), as well as internationally recognized best practices and principles, such as the OECD principles of corporate governance.

The company's corporate governance framework is based on the following principles:

- *Accountability*: This company code establishes the company's accountability to all shareholders and guides the company's supervisory board in setting strategy, and guiding and monitoring the company's management.

- *Fairness*: The company obligates itself to protect shareholder rights and ensure the equitable treatment of all shareholders, including minority (and foreign) shareholders. All shareholders are to be granted effective redress for violation of their rights through the supervisory board (or a shareholder rights committee, if established).

- *Transparency*: The company is to ensure that timely and accurate disclosure is made on all material matters regarding the company, including the financial situation, performance, ownership, and governance of the company, in a manner easily accessible to interested parties.

- *Responsibility*: The company recognizes the rights of other stakeholders as established by laws and regulations, and encourages cooperation between the company and stakeholders in creating sustainable and financially sound enterprises.

1.2. General governance structure

The company has the following governing and other bodies:

- The general meeting of shareholder. The highest governing body of the company allows the shareholders to participate in the governance of the company;

- The supervisory board is responsible for the strategic direction of the company, and the guidance and oversight of management; (the company's supervisory board may also establish committees on audit, corporate governance, nominations and remuneration, strategic planning and finance);

- The general director and the executive board carry out the day-to-day management of the company and implement the strategy set by the supervisory board and shareholders;

- The revision commission oversees the financial and economic activities of the company and reports directly to the GMS;

- The corporate secretary ensures that the governing bodies follow internal rules and external regulations to facilitate clear communications between the governing bodies, and acts as an adviser to directors and senior executives;

- The internal auditor develops and monitors internal control procedures for the business operations of the company. The internal auditor reports directly to the supervisory board (through the audit committee), and reports administratively to the general director.

1.3. Good board practices

The company views a vigilant, professional, and independent supervisory board as essential for good corporate governance. The supervisory board cannot substitute for talented professional managers, nor change the economic environment in which the company operates. It can, however, influence the performance of the company through its supervision, guidance, and control of management in the interests and for the benefit of the company's shareholders. Executive bodies also play a crucial role in the governance process. The effective interaction between governing all bodies and a clear separation of authorities is a key to sound corporate governance.

At the supervisory board level:

1) Authority. The supervisory board's scope of authority is set forth in the company's charter, in conformity with relevant legislation and the recommendations of the FCSM Code.

2) Size. The supervisory board (upon the recommendation of its corporate governance committee, if established) recommends the appropriate size of the supervisory board. The supervisory board's size is fixed in the company's charter. Achieving the needed quality and mix-of-skills will be the primary consideration in arriving at the overall number.

3) Election, term, and dismissal. Directors are elected for a one-year term. The company uses cumulative voting to elect its directors.

The supervisory board does not believe it is in the best interests of the company or its shareholders to introduce term limits. Experienced directors, familiar with the company and the industry in which it operates, are a key to providing proper guidance.

The GMS may only dismiss all directors. Grounds for dismissal are included in the company's charter (or by-law for the supervisory board).

4) Composition and independence. The composition of the Supervisory Board is determined in such a way that combines the representatives of various shareholder groups, including minority shareholders.

The supervisory board's composition, competencies, and mix-of-skills are adequate for oversight duties, and the development of the company's direction and strategy. Each individual director has the experience, knowledge, qualifications, expertise, and integrity necessary to effectively discharge supervisory board duties and enhance the board's ability to serve the long-term interests of the company and its shareholders. The supervisory board has a broad range of expertise that covers the company's main business, sector, and geographical areas, and includes at least experienced financial experts who are non-executive, independent directors.¹ A full and complete set of information on the directors' qualifications is set forth and annually reviewed by the supervisory board (upon the recommendation of its corporate governance committee) and fixed in the company's charter or by-laws.

The law prohibits the general director from being the chairman of the supervisory board. To enhance unbiased oversight, the company believes that a non-executive director should chair the supervisory board.

The company's supervisory board is composed of not more than 25% of executive directors who are employees of the company. To ensure the impartiality of decisions and to maintain the balance of interests among various groups of shareholders, 80% of the supervisory board's members are independent directors. The company defines those directors who have no material relationship with the company beyond their directorship as an independent. The supervisory board ascertains which members are to be deemed independent during the first supervisory board meeting. Criteria for determining director independence shall be based on the FCSM Code, complemented by other internationally recognized definitions, and specified in the company's charter and annual report.

¹ Good practice suggests that the supervisory board consist of at least two such persons. Should this not be possible, then the supervisory board shall hire an outside, independent adviser.

The company recognizes that directors that have served for longer than seven years shall not be considered independent directors.

5) Structure and committees. The company has established the following supervisory board committees:

- The audit committee;
- Board of director;
- External staff;
- Other committees deemed necessary by the supervisory board.²

All committees have by-laws containing provisions on the scope of authority, competencies, composition, working procedures, as well as the rights and responsibilities of the committee members.

Each committee is to provide provisional consideration of the most important issues that fall within the authority of the supervisory board. After each of its meetings, the committee shall report on the meeting to the supervisory board.

6) Working procedures. The supervisory board meets according to a fixed schedule, set at the beginning of its term, which enables it to properly discharge its duties. As a rule, the supervisory board shall meet at least times a year.³

Non-executive directors meet separately from executive members at least once a year.

Detailed procedures for calling and conducting supervisory board meetings are defined in the supervisory board’s by-law. All directors are provided with a concise but comprehensive set of information (by the corporate secretary) in a timely manner, concurrently with the notice of the board meeting, but no less than days before each meeting.⁴ This set of documents is to include: an agenda; minutes of the prior board meeting; key performance indicators, including relevant financial information prepared by management; and clear recommendations for action.

The supervisory board keeps detailed minutes of its meetings that adequately reflect board discussions, signed by the chairman (and the corporate secretary), and include voting results on an individual basis. The company keeps transcripts (verbatim reports) of important board decisions, such as the approval of extraordinary transactions.

7) Self-evaluation. The supervisory board conducts a yearly self-evaluation. This process is to be organized by the corporate governance committee and the results are to be discussed by the full supervisory

² Other supervisory board committees recommended by the FCSM Code and generally-accepted best practices cover areas in which there is an especially large potential for conflicts of interest and the need for independent thought, in particular, the nominations and remuneration committee. Companies may eventually wish to consider adding further committees on corporate governance, strategic planning and finance, shareholder rights, ethics, and/or corporate conflicts resolution. However, companies should be prudent in the establishment of committees. Excessive numbers of committees may be costly, difficult to manage, and may fragment board deliberations.

³ Good practice suggests that four to ten supervisory board meetings per year are sufficient to properly discharge the board’s duties.

⁴ Good practice suggests around two weeks.

board. Independent consultants may also be invited to assist the supervisory board in this process.

8) Training and access to advisers. The company offers an orientation program for new directors on the company, its business, and other issues that will assist them in discharging their duties. The company also provides general access to training courses to its directors as a matter of continuous professional education. The supervisory board and its committees shall also have the ability to retain independent legal counsel, accounting, or other consultants to advise the supervisory board when necessary.

9) Remuneration. The remuneration of non-executive directors is competitive and is comprised of an annual fee (part of which can be paid in the form of shares in lieu of cash), a meeting attendance fee, and an additional fee for the chairmanship of committees or the supervisory board itself. The remuneration package shall, however, not jeopardize a director's independence. Executive directors are not paid beyond their executive remuneration package. The supervisory board (nominations and remuneration committee) periodically reviews the remuneration paid to directors. All directors sign a contract with the company. The company publicly discloses the remuneration of each director on an individual basis.

The company will not provide personal loans or credits to its directors.

Further, the company shall not provide stock options to its directors unless approved by the GMS.

10) Duties and responsibilities. Directors act in good faith, with due care and in the best interests of the company and all its shareholders, and not in the interests of any particular shareholder, on the basis of all relevant information. Each director is expected to attend all supervisory board and applicable committee meetings.

The supervisory board must decide as to whether its directors can hold positions in the governing bodies of other companies. The company shall not prohibit its directors from serving on other supervisory boards. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

Directors shall not divulge or use confidential or insider information about the company.

Directors shall abstain from actions that will or may lead to a conflict of interest with the company. When such a conflict exists, directors shall disclose information about the conflict of interests to the other directors and shall abstain from voting on such issues.

1.4. Executive body

The company understands that the day-to-day management of the company requires strong leadership from the general director. It also recognizes the challenge and complexity of running a company and

believes in teamwork, a collective rather than an individual approach. The company has thus established an executive board, chaired by the general director.

At the executive body level:

1) Authority. The general director and the executive board carry out the company's day-to-day management, implementing its goals and objectives, and carrying out its strategy.

2) Size. The general director (in close cooperation with the nominations and remuneration committee, if established) proposes to the supervisory board an appropriate number of executive board members. The size of the executive board is fixed in the company's charter upon the recommendation of the supervisory board. Achieving the needed quality and mix of executives will be the primary consideration in arriving at the overall number.

3) Election, term, and dismissal. The supervisory board (or the GMS) elects the general director for a year term.⁵ The general director, in turn, submits proposals for executive board members to the supervisory board for approval. Other executive board members are appointed for a year term.

The supervisory board may dismiss the general director. The supervisory board may also dismiss executive board members, upon close coordination with the general director. Grounds include, among other things, providing false information to the supervisory board, willful neglect of his duties and responsibilities, or conviction of a criminal act.

4) Composition. The executive board's composition, competencies, and mix-of-skills are suited to the effective and efficient running of the company's day-to-day operations. Each executive board member, including the general director, has the experience, knowledge, qualifications, and expertise necessary to effectively discharge his duties.

All executive board members have the:

- trust of the company's shareholders, directors, other managers, and employees;
- ability to relate to the interests of all shareholders and to make well-reasoned decisions;
- professional expertise and education to be an effective manager;
- business experience, knowledge of national issues and trends, and knowledge of the market, products, and competitors;
- capacity to translate knowledge and experience into solutions that can be applied to the company.

5) Working procedures. The executive board meets regularly, and agenda issues are communicated in advance. The working procedures of the executive board are specified in the by-laws for the executive board.

⁵ Good practice suggests that the supervisory board elect the general director and the other executive board members upon the recommendation of the general director. The IFC's RCGP recommends a term ranging from three to five years, following an initial one-year term.

6) Succession planning. The supervisory board is to adopt a succession plan that outlines how it will effectively deal with the temporary or permanent loss of senior executives. To assist in this process, the general director is to provide the supervisory board with a list of individuals best suited to replace the company's key executives, including the position of the general director.

7) Remuneration and evaluation. The amount of remuneration of the general director and members of the executive board is set by the supervisory board and approved by the GMS. The remuneration shall have a fixed and variable component, and the latter is tied to key performance indicators, in-line with the input into the company's long-term development and creation of shareholder value. The company will not provide personal loans or credits to its executive officers.

8) Duties and responsibilities. The general director and executive board members shall act in good faith and with due care in the best interests of the company and all its shareholders, and not the interests of a particular shareholder, on the basis of all relevant information.

The general director and executive board members shall abstain from actions that will or may lead to a conflict between theirs and the company's interests. When such a conflict exists, members of the executive bodies shall disclose information about the conflict of interests to the supervisory board and shall abstain from deliberating and voting on such issues.

1.5. Shareholder rights

All shareholders have the right to participate in the governance and the profits of the Company. All rights are regulated in the Company's charter and by-laws.

1.5.1. General meetings of shareholders

The company has a by-law for the GMS that provides a detailed description of all the procedures for preparing, conducting, and making decisions at the GMS.

1) Preparation. Every shareholder that holds voting shares is entitled to participate and vote during the GMS, and receive advance notification, an agenda, as well as accurate, objective, and timely information sufficient for making an informed decision about the issues to be decided at the GMS. The company's executive bodies will be responsible for this process, which is to be implemented by the corporate secretary.

The company has a fair and effective procedure for submitting proposals to the agenda of the GMS, including proposals for the nomination of supervisory board members. The agenda of the GMS is not changed after the supervisory board approves it.

2) Conducting the GMS. The company takes all the steps necessary to facilitate the participation of shareholders in the GMS and vote on the agenda items.

The venue of the GMS is easily accessible for the majority of shareholders. Registration procedures are convenient and allow for quick and easy admittance to the GMS.

The company's executive bodies are to help shareholders exercise their voting rights in the event they are unable to physically attend the GMS. The executive bodies will do so by providing shareholders with a power of attorney form, based upon which the shareholder will have an opportunity to instruct his proxy on how to vote on agenda items.

The company ensures that members of the supervisory board, executive bodies, revision commission, and external auditor are present during the GMS to answer questions. Each shareholder has the right to take the floor on matters on the agenda, and submit relevant proposals and questions. The chairman of the GMS conducts the meeting professionally, fairly, and expeditiously.

Voting is conducted by ballot. The company has effective shareholder voting mechanisms in place (e.g. super-majority voting) to protect minority shareholders against unfair actions, as regulated in its charter and by-law for the GMS. The procedures for counting votes at the GMS are transparent and exclude the possibility of manipulating voting results. The external registrar of the company shall also fulfill the functions of the counting commission.

3) Results. The voting results and other relevant materials are distributed to shareholders, either at the end of the GMS or very soon after the GMS is held, as well as to the general public by posting them on the company's internet site and publishing them in the mass media in a timely manner.

1.5.2. Shareholder rights protection

The company has a system of registering shareholder complaints and effectively regulating corporate disputes (through the supervisory board's shareholder relations committee).

1) Supervisory board representation. Minority shareholders have on average 50% identifiable representatives on the supervisory board.⁶

2) External registrar. The company engages an independent external registrar to maintain the shareholder register. The company ensures a reliable and efficient ownership registration system of shares and other securities through the selection and appointment of an independent external registrar that has proper technical equipment and an excellent reputation.

⁶ Good practice suggests that the supervisory board's composition reflect the shareholding structure, but that the supervisory board has at least one identifiable minority shareholder representative.

3) Takeover policy. The company has a clearly articulated and enforceable policy in place that protects the rights of minority shareholders in special circumstances, such as a change of control.

1.6. Information disclosure and transparency

Transparency and timely and accurate information disclosure is a key corporate governance principle for the company.

The company discloses and provides easy access to all material information, including the financial situation, performance, ownership, and the governance structure of the company to shareholders free of charge. The supervisory board prepares and approves a by-law on information disclosure and makes it publicly available on the company's internet site. The company publishes a comprehensive annual report that includes a corporate governance section and prepares other reports, such as the prospectus, quarterly reports, and material facts reports. The company discloses its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

The company takes measures to protect confidential information as defined in its by-law on information disclosure. Any information obtained by the company's employees and the members of the governing bodies may not be used for their personal benefit.

2. LITERATURE REVIEW

There are several varieties of corporate governance models in the world. The various models are distinguished according to the degree of capitalism in which the company operates. The liberal model typical of the Anglo-American states gives priority to the interests of the shareholders. The coordinated model of continental Europe and Japan also recognizes the interests of workers, managers, suppliers, customers, and companies. Both models enjoy different competitive advantages but in different ways. The liberal model encourages total innovation and cost competition, while the coordinated model promotes qualitative innovation and quality competition.

In the United States, a company is governed by a board of directors, which has the power to choose a CEO (CEO). The CEO has ample powers to run the business on a daily basis but needs council approval for certain important maneuvers, such as hiring subordinates, raising finance, acquiring other companies, making capital expansions, or other relevant projects. Other council duties may include setting corporate policies, decision making, monitoring management performance, or more general control of the company.

The board of directors is appointed by the shareholders, to whom they are responsible, but the internal regulations of many companies make it difficult, even for the major shareholders, to exert a certain

influence on the composition of the board; usually, individual shareholders do not have the possibility to choose board members from a list, but can only approve appointments. In many companies, it happened that incentives were given to the council so that the members were under the control of the administrator, who had to control the actions instead. Often, then, members of a board of directors are directors of other companies, which some experts see as a conflict of interest.

The corporate governance of a company can be modeled on three schemes:

1) Public share company: the company's share capital is divided into a large number of shares, which are listed on regulated markets. The capital then ends up in the hands of an innumerable group of shareholders that make up the company itself. The ordinary assembly is therefore essentially limited to performing the formal functions assigned to it by the various legislations; while substantial decisions are made by a staff of professional managers.

2) Consortium company: the decisions made by the management are orchestrated among the various stakeholders of the company. This model has had a particular application in Germany and Japan.

3) Owner's business: there is only one individual, the entrepreneur, who makes important decisions for company life. The capital is divided in such a way that it is impossible to make a climb to the top of the corporate bodies. This model has had a particular application in Italy.

3. RESEARCH METHODOLOGY

The company keeps records and prepares a full set of financial statements in accordance with Russian Accounting Standards. (In addition, the company prepares its accounts in accordance with International Financial Reporting Standards (IFRS) (or U.S. GAAP) and discloses these in its regulatory filings, including the annual report, and on the internet).

Detailed notes accompany financial statements so that the users of the statements can properly interpret the company's financial performance. A management discussion and analysis (MD&A), as well as the opinions of the external auditor and revision commission, shall complement all financial information.

4. RESULTS

The external audit. An external auditor audits the company's financial statements. The external auditor is a publicly recognized independent auditing firm, where independent means independence from the company, the company's management, and major shareholders. The company ensures that the audit partner is periodically rotated. The remuneration of the auditor is disclosed to shareholders. The external

auditor is selected by the GMS following an open tender and upon the recommendation of the supervisory board.

Ownership structure. The company ensures that beneficial owners of five percent or more of the voting shares are disclosed. Any corporate relations in case of groups of companies are also clearly identifiable and disclosed to the public.

5. DISCUSSION

In conclusion, the governing element of the government of many companies is the board of directors. While managers are selected on the basis of their professional skills, administrators are often hired because they are "in the loop": it is indeed Fortune's news that 80% of the US public companies are administered by no more than 400 people, who they are part of the boards of directors of several dozen companies at the same time. Fortune also reported that the "virus" of predated subscription options, which is a practice for which managers illegally backed the date of options to cash in on more advantageous terms, had spread through a very large network, which would have involved many listed companies in the USA (especially Silicon Valley).

The same problem has recently been explored in Italy by a report focused on network theory. The study shows that even among the boards of directors there is a network, where each person is separated from another only by a limited number of relationships.

In reality, the question goes back to the Corporate America of the seventies; in particular, Myles L. Mace, in famous empirical research conducted on US-listed companies, complained that some directors belonged to six or seven directors at the same time. This elite gave the definition of old boys' club, while the councillors were given the name of ornaments on corporate Christmas trees (literally "decorations on the corporate Christmas tree").

5.1. Future research and limitations

Looking forward to some Italian groups benefit from special control systems, allowed by Italian legislation, but not in most other countries. These systems are characterized by multiple cascading holdings, in which a holding company, often a financial company (therefore without an industrial or mercantile business), controls another company. The controlled company, in turn, controls another company placed under it, which can control other companies, etc.

Generally, control is maintained with the minimum necessary to obtain the absolute majority (51% of capital), which qualifies the subsidiary as a "subsidiary". The structured system takes the name of "pyramid group", or "stock pyramiding", or "financial leverage"; or, more simply, "Chinese boxes". In the Italian model, often the company at the head of the pyramid is a limited partnership for shares, or otherwise

difficult to acquire from the outside. This is to protect the ownership of the holding company, which in these cases almost always leads to a family of entrepreneurs. This company then takes the nickname of "safe company" (or "family safe").

In the future, the companies below are obviously in the form of a joint-stock company. The greater the number of companies in the pyramid, the lower the risk to which the owner of the parent is subjected. In fact, some of the companies can be listed on the stock exchange; obtaining more debt capital from the market, therefore, the owner can limit the number of own resources invested in the group. Then it happens that minority shareholders are so many (and in some cases hold shares without voting rights) that they are strongly disincentive to participate in the meetings. As a result, the owner obtains economic control with an incredibly smaller investment than necessary (to achieve absolute control). This is a "reduction" mechanism of the quota necessary for the control of a company.

Arithmetic example: if to control the ALFA SPA (for example a large industrial company) 51% of the shares are required, the controlling shareholder, sig. Rossi can give this 51% in a new BETA SPA (the first "Chinese box") whose sole purpose is to control the ALFA SPA, keeping only 51% of the shares in the new BETA SPA and selling the others to cash out liquid assets. In this way Mr. Rossi directly controlling the new BETA SPA, also indirectly controls the ALFA SPA, which is what really interests him, but in this way, i.e. holding 51% of 51%, in fact only 26% of SPA capital ALFA, the just invest, and risk, just a little more than half the capital that would be necessary if you want to control the ALFA SPA directly i.e. without the "Chinese box". If Mr. Rossi wanted to risk even less capital, always without losing control of the ALFA SPA, he just has to insert in the control chain a second "Chinese box", the GAMMA SPA and repeat the operation already done with the first "Chinese box". One of the main criticisms of this system of corporate governance is that it encourages the irresponsibility of entrepreneurs, allowing them to make important decisions about companies in which they have invested relatively modest capital.

5.2. Research questions

1. What is the role of the board of director today in Italy?
2. What is the composition of the board of directors today in Italy?
3. There are possible independent directors in the corporate context in Italy today?
4. What is the establishment and functioning of internal committees of the board of administration today in Italy?
5. There is profitable appointment of directors in the Italian meeting private companies today?
6. The remuneration of the directors is evident in Italy today or not?

6. CONCLUSION

Internal Audit and Control

1) The revision commission. The company's revision commission is to meet at least 20% times a year to carry out its duties as specified by law and its by-laws. The revision commission shall consist of independent members, of which at least 17% of members are experienced, financial experts. Its scope of authority and activity goes beyond legislative requirements.⁷

2) The internal auditor. The company has an internal auditor (or office of the internal auditor that is responsible for the daily internal control of the company's finances and operations. The internal auditor is staffed by a highly respected and reputable person(s), and reports to the supervisory board (or audit committee) functionally and to the general director administratively.⁸ The internal auditor's authority, composition, working procedures, and other relevant matters are regulated in its by-law.

3) The supervisory board's audit committee. The audit committee is to focus on three key areas: financial reporting, risk management, and internal and external audit. This committee is to be chaired by an independent director and composed of non-executive directors, each of which is recognized for his or her financial literacy. Its exact authority, composition, working procedures, and other relevant matters are regulated in its by-laws.

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⁷ Supervisory Board audit committees are becoming increasingly common internationally. Good practice suggests that the Company strengthen the role of the Supervisory Board's Audit Committee and make sure that it complements the functions of the Revision Commission. Good practice suggests that the Revision Commission meet at least four times per year, and that it be composed of at least one financially literate member.

⁸ Good practice suggests that the Internal Auditor be a member of the Institute of Internal Auditors (see also: <https://www.iaa-ru.ru>).

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