

# **MISSION CHARTER OF THE INTERNAL AUDIT SERVICE OF THE EUROPEAN COMMISSION**

## **IN RELATION TO BODIES SET UP UNDER THE TFEU AND THE EURATOM TREATY HAVING LEGAL PERSONALITY AND RECEIVING CONTRIBUTIONS CHARGED TO THE BUDGET**

The Internal Audit Service (IAS) was established by Commission Decision on 11 April 2000<sup>1</sup>.

This mission charter replaces the previous charter and sets out the mission, objectives, reporting and working arrangements essential to the proper fulfilment of the IAS's role to the Union bodies for which the Internal Auditor of the European Commission performs the internal audit function according to Article 208 of the Financial Regulation<sup>2</sup>, hereinafter referred to without discrimination as 'Agency'.

This mission charter uses the definitions set out in Art. 2 of the Framework Financial Regulation (FFR)<sup>3</sup> and Art. 2 of the Financial Regulation of ETF<sup>4</sup>.

### **1. MISSION AND OBJECTIVES**

The **mission** of the Internal Audit Service is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The IAS helps the Agency accomplish its objectives by bringing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control and governance processes. Its tasks include assessing and making appropriate recommendations for improving the risk management, control and governance process in the accomplishment of the following objectives: promoting appropriate ethics and values within the organisation, ensuring effective organisational performance management and accountability and effectively communicating risk and control information to appropriate areas of the organisation. Thereby it promotes a culture of efficient and effective management within the Agency.

Assurance services are an objective examination of evidence for the purpose of providing an independent assessment of effectiveness of risk management, control and governance processes. In line with the FFR (in particular recital 16 thereof), for its assurance services, the IAS will rely on a risk-based approach which takes account of the overall group of Union bodies. The bodies concerned and the specific subjects to be covered will be selected for audit on a risk basis and according to a timeframe determined by the IAS, after consultation of the

---

<sup>1</sup> SEC(2000) 560

<sup>2</sup> Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 and amendments

<sup>3</sup> Commission Delegated Regulation (EU) No 1271/2013

<sup>4</sup> Governing Board Decision No 014 of 20/12/2013

Union bodies concerned. The IAS will provide a conclusion, and where appropriate an opinion, in each assurance audit report.

Consulting services are advisory and management-requested activities, the nature and scope of which are agreed with the. They are intended to add value and improve the Agency's governance, risk management and control processes without the internal auditor assuming management responsibility.

The primary **objective** of the IAS is to provide the Agency with assurance as to the effectiveness and efficiency of the risk management, control and governance processes, with special reference to the following aspects:

- Risks are appropriately and continuously identified, assessed and managed,
- Significant financial, managerial and operating information is accurate, reliable and timely,
- The Agency's policies, procedures and applicable laws and regulations are complied with,
- The Agency's objectives are achieved effectively and efficiently,
- The development and maintenance of high-quality control processes are promoted throughout the Agency.

## **2. ACCOUNTABILITY**

The IAS work in the Agency is performed under the authority of the Governing Board.

The IAS shall be accountable to the Director and the Governing Board to:

- Report significant issues related to the audited activities of the Agency, including potential improvements to those processes.
- Report at least once a year critical risks identified in the course of its assignments and recommendations that have not been addressed and significant delays in the implementation of the recommendations made in previous years (Art. 82 (6) subparagraph 2 FFR).

Where applicable, the IAS shall communicate with the Governing Board through its Audit Committee or the Executive Board.

### 3. INDEPENDENCE AND OBJECTIVITY

No authority may interfere in the conduct of IAS audits or ask the IAS to make any alterations to the content of audit reports<sup>5</sup>.

In order to ensure objectivity in their opinions and avoid conflict of interest, IAS internal auditors must preserve their independence in relation to the activities and operations they audit or review. If their objectivity is impaired in fact or in appearance, the details of the impairment should be disclosed.

If the Internal Auditor considers it necessary, he/she may address himself/herself directly to the Chair of the Governing Board.

### 4. RESPONSIBILITY

The Head of the IAS has responsibility to:

- Develop and establish the IAS audit procedures.
- Develop a three-year audit plan and an annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management and submit these plans as well as periodic updates to the Director and the Governing Board for consideration.
- Update the three-year audit plan at least annually to take into account new and/or emerging risks that could impact the organisation and submit these updated plans to the Director and the Governing Board for consideration.
- Offer cooperation and coordination<sup>6</sup> with the Internal Audit Capabilities (IACs), as appropriate, for the purpose of providing optimal audit coverage. The cooperation with the IACs will be supported through the network of internal auditors (Auditnet for autonomous EU bodies).
- Ensure audit planning and coordination with the European Court of Auditors (ECA) as appropriate.
- Implement the annual audit plan, including as appropriate any special tasks or projects requested by the Director or the Governing Board. The Internal Auditor may change the annual plan in the course of the year after informing the Director and the Governing Board.

---

<sup>5</sup> Refer to IIA standards 1100 on Independence and Objectivity and 1110 and 110.A1 on Organizational Independence.

<sup>6</sup> See Art 84.3 of the Commission Delegated Regulation (EU) No 1271/2013 of 30 September 2013 on the framework financial regulation for the bodies referred to in Article 208 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council, concerning the establishment of Internal Audit Capabilities.



- Establish a follow-up process in order to monitor that recommendations have been implemented and inform the Governing Board and the Director in accordance with Art. 82 (6) sub-paragraph 2 FFR.
- Develop and maintain a quality assurance programme that covers all IAS audit activities and continuously monitor its effectiveness. This programme includes periodic internal and external assessments and ongoing internal monitoring.
- Ensure that the IAS resources are appropriate, sufficient and effectively deployed to meet the requirements of the annual work plan.
- Perform its engagements in line with the "Mutual Expectations" paper, which describes the audit process workflow, its deliverables, and relationship between the auditor and auditee to clarify responsibilities and align mutual expectations so that engagements are smooth, efficient and effective.
- Develop a continuous dialogue with the auditee, to ensure the relevance of the findings, the quality and feasibility of the recommendations for action to be taken. This dialogue should be concluded by means of a closing meeting with the Director when the main findings and recommendations are presented, unless the auditee considers that such meeting is not necessary.
- Promptly validate its findings and discuss its recommendations with the Agency's management. The position of the Agency's management should be reflected in the final report, particularly in the case of disagreement.
- Effectively and timely communicate results of audit engagements to the Director and the Governing Board.
- Formally communicate in writing to the Director and the Governing Board where the Head of IAS believes that the Agency management has accepted an unreasonably high level of risk.
- Communicate copies of final audit reports, with the Agency comments, to the European Court of Auditors.
- Report any suspected fraudulent activities within the Agency to OLAF<sup>7</sup> and, as appropriate, to the Director and the Governing Board.
- Respect confidentiality with regard to the information gathered from the audit and consultancy engagements performed.
- Disclose and explain to the Governing Board any failure or inability to meet and comply with the requirements of this charter.

---

<sup>7</sup> Art. 8 of the Regulation (EU, EURATOM) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF).

## 5. AUTHORITY

The Head of the IAS and his/her staff are authorised to:

- Have unrestricted access to all functions, information systems, records, property and personnel within the Agency, as considered necessary for the fulfilment of their duties, unless the constituent act or the specific financial regulation of the Agency provide otherwise.
- Obtain the necessary assistance of Agency staff.
- Allocate resources, select subjects, determine the scope of work and apply the techniques required to accomplish audit objectives.
- Be informed at an early stage about the development of new systems and changes to existing systems that may substantially affect the Agency's internal control system.

The Head of the IAS and his/her staff is **not** authorised to:

- Perform any operational duties for the Agency.
- Initiate or approve financial transactions.
- Direct the activities of Agency staff, except to the extent such staff members have been appropriately assigned to auditing teams or to otherwise assist the IAS.

## 6. STANDARDS OF AUDIT PRACTICE AND ETHICS

The IAS will adhere to the principles set forth in the mandatory guidance of the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors. The mandatory elements of the IPPF are:


- The core principles for the Professional Practice of Internal Auditing.
- The definition of internal auditing,
- The Code of Ethics, and
- The *International Standards for the Professional Practice of Internal Auditing*

Such professional principles and standards and the Code of Ethics will be applied in accordance with regulations applicable to the Agency. In the event of discrepancies, requirements originating from EU regulations and Agency decisions shall take precedence.

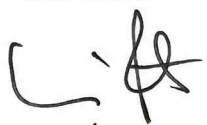
Director-General  
of the IAS  
Internal Auditor of the  
European Commission

  
Done in Brussels,  
on ...03/10/2017

Director  
of the ETF

  
Done in ...Torino  
on ...17/11/17

 For the ETF  
Governing Board,  
The Chair

  
Luis PRATS  
Done in ...Torino  
on ...17/11/17