

MISSION CHARTER OF THE INTERNAL AUDIT SERVICE OF THE EUROPEAN COMMISSION

The Internal Audit Service (IAS) was established by Commission Decision on 11 April 2000¹ and its first Charter was adopted on 31 October 2000². The need to establish an internal audit function is mentioned in Articles 85 et seq. of the Financial Regulation, and Article 110 of the Implementing rules³ of the Financial Regulation indicates that the institution shall provide the internal auditor with a mission charter detailing his tasks, duties and obligations.

This mission charter replaces the charter adopted on 31 October 2000 and sets out the mission, objectives, reporting and working arrangements essential to the proper fulfilment of the IAS's role in accordance with Article 110 of the Implementing rules of the Financial Regulation.

1. MISSION AND OBJECTIVES

The **mission** of the Internal Audit Service is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Commission. The IAS helps the Commission accomplish its objectives by bringing a systematic, disciplined approach in order to evaluate and make recommendations for improving the effectiveness of risk management, control and governance processes⁴. Thereby it promotes a culture of efficient and effective management within the Commission and its departments.

Assurance is an objective examination of evidence for the purpose of providing an independent assessment of effectiveness of risk management, control and governance processes. For its assurance services the IAS will rely on risk-based planning and an opinion should be included in each assurance audit report.

Consulting services are advisory and management-requested activities, the nature and scope of which are agreed with the Director-General/Head of Service. They are intended to add value and improve the Commission's or a Directorate-General's governance, risk management and control processes without the internal auditor assuming management responsibility.

¹ SEC(2000) 560

² SEC(2000)1801/2

³ Commission Regulation (EC, Euratom) n° 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) n° 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357,31.12.2002, p.1) as lastly amended by Commission Regulation n° 478/2007 of 23 April 2007 (OJ L 111, 28.4.2007, p.13).

⁴ Including promoting appropriate ethics and values within the organisation, ensuring effective organisational performance management and accountability, effectively communicating risk and control information to appropriate areas of the organisation.

The primary **objective** of the IAS is to provide the Commission 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 and managed,
- Significant financial, managerial and operating information is accurate, reliable and timely,
- The Commission's policies, procedures and applicable laws and regulations are complied with,
- The Commission's objectives are achieved effectively and efficiently,
- The development and maintenance of high-quality control processes are promoted throughout the Commission.

2. ACCOUNTABILITY

The IAS is under the authority of the Member of the Commission responsible for Audit.

The IAS shall be accountable to the Audit Progress Committee (APC)⁵ to:

- Report significant issues related to the audited activities of the Commission, including potential improvements to those processes.
- On the basis of the nature and scope of the work of the IAS and the Internal Audit Capabilities (IACs), provide annually, starting no later than for 2009, an overall opinion on the state of control in the Commission.
- Report at least annually to the APC on the IAS mission, authority and responsibility and performance in relation to the annual audit plan. Reporting should also include significant risk exposures and control issues, corporate governance issues and other matters needed or requested by the Commission.

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 reports⁶.

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 review⁷. If their objectivity is impaired in fact or in appearance, the details of the impairment should be disclosed.

⁵ Created by Decision of the Commission SEC 1808/3 of 31.10.2000.

⁶ Refer to IIA standards 1100 on Independence and Objectivity and 1110 and 1110.A1 on Organizational Independence.

⁷ Refer to IIA standards 1120 on Individual Objectivity and 1130 on Impairments to Independence or Objectivity

If the Internal Auditor considers it necessary, he/she may address himself/herself directly to the President of the Commission and/or the College.

The IAS, as an internal Commission department, will apply the standard arrangements concerning interinstitutional relations, with special reference to the dissemination and disclosure of information, in the same way as all other Directorates-General and Services of the Commission.

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 APC for endorsement.
- Coordinate work with the Internal Audit Capabilities (IACs), as appropriate, for the purpose of providing optimal audit coverage. The coordination with the IACs will be supported through the Commission's network of internal auditors (Auditnet).
- Coordinate audit planning with the European Court of Auditors (ECA).
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by the APC or Directors-General/Heads of Service. He/she may change the annual plan in the course of the year after informing the APC.
- Establish a follow-up process in order to monitor that recommendations have been implemented or that the risk of not taking action has been accepted.
- 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 quality 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 audits in line with the "Mutual Expectations" paper, which describes the relationship between auditor and auditee to clarify responsibilities and align mutual expectations so that audits are smooth, efficient and effective.
- Promptly validate its findings and discuss its recommendations with the auditee. The auditee's position should be reflected in the final report, particularly in the case of disagreement.
- Develop a continuous dialogue with the auditee, to ensure the relevance of the findings and the quality and feasibility of the recommendations for action to be taken. This dialogue should be concluded by means of an exit meeting with the

Director-General or Head of Service concerned, when the main findings and recommendations are presented.

- Effectively and timely communicate results of audit engagements (assurance and consulting) to Directors-General or Heads of Service and the APC.
- Formally communicate in writing to the Director-General/Head of Service and the APC where the Head of IAS believes that Commission management has accepted an unreasonably high level of risk.
- Report any suspected fraudulent activities within the Commission to Directors-General or Heads of Service and OLAF⁸ and, as appropriate, to the APC.
- Respect confidentiality with regard to the information gathered from the audit and consultancy engagements performed.
- Disclose and explain any failing or inability to meet and comply with the requirements of this charter in the annual work plan and/or annual activity report.

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 Commission, as considered necessary for the fulfilment of their duties.
- Obtain the necessary assistance of Commission staff in all DGs and Services.
- 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 Commission's internal control system.

The Head of the IAS is **not** authorised to:

- Perform any operational duties for the Commission.
- Initiate or approve financial transactions.
- Direct the activities of Commission staff not employed by the IAS, except to the extent such staff members have been appropriately assigned to auditing teams or to otherwise assist the IAS.

⁸ Decision of 2.6.1999 OJ L 149, 16.6.1999, p. 57 and C(2002)845 of 5.3.2002

6. STANDARDS OF AUDIT PRACTICE AND ETHICS

The IAS will adhere to the *International Standards for the Professional Practice of Internal Auditing* as well as the provisions of the Code of Ethics as drawn up by the Institute of Internal Auditors. Such professional standards will be applied in accordance with regulations applicable to Commission staff. In the event of discrepancies requirements originating from EU regulations and Commission decisions shall take precedence.