COMMUNICATION TO THE COMMISSION

UPDATE OF THE CHARTER OF THE AUDIT PROGRESS COMMITTEE OF THE EUROPEAN COMMISSION
Annex

CHARTER OF THE AUDIT PROGRESS COMMITTEE OF THE EUROPEAN COMMISSION

1. **CHARTER**

   The Charter establishes the role, purpose, responsibilities, membership and composition, values and operational principles, and reporting arrangements of the Audit Progress Committee (APC) of the European Commission, in conformity with Article 123 of the Financial Regulation.

2. **ROLE AND PURPOSE**

   The APC assists the College of Commissioners in fulfilling its obligations under the Treaties, the Financial Regulation and under other statutory instruments by ensuring the independence of the Internal Audit Service (IAS), monitoring the quality of internal audit work, and by ensuring that internal and external audit recommendations are properly taken into account by the Commission services and that they receive appropriate follow-up. In this way the APC contributes to the overall further improvement of the Commission's effectiveness and efficiency in achieving its goals and facilitates the College's oversight of the Commission's governance, risk management, and internal control practices.

   The APC ensures that the College is appropriately informed on a timely basis on any issues arising from its work.

   The Committee is an oversight body and has no management powers.

3. **APC MEMBERSHIP AND COMPOSITION**

   (a) The Audit Progress Committee

   The APC comprises nine members. A maximum of six are Members of the Commission, and at least three are external members with proven professional expertise in audit and related matters.

   The APC Chair is the First Vice-President in charge of Better Regulation, Interinstitutional Relations, the Rule of Law and the Charter of Fundamental Rights.

   The Chair and three Members of the Commission are appointed to the APC for the whole of the mandate, two Members of the Commission are appointed to join for the first half of the mandate and two different Members of the Commission for the second half of the mandate. The part rotation of membership shall take place halfway through the mandate.

   External members are appointed after an open and transparent selection procedure for a maximum term of four years, renewable once.

   (b) The Preparatory Group (PG)

   Members of the Committee designate a member of their Cabinet to assist them in their work. These Cabinet members and the external members form the PG. The PG is chaired by the Cabinet of the APC Chair.

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(c) APC Secretariat

The APC is assisted by a Secretariat. The Secretariat services all the members of the APC. It reports directly to the PG Chair and assists the APC Chair in preparing, conducting and reporting on its meetings. Working arrangements shall be put in place between the Secretariat and the IAS, in agreement with the PG Chair, to guarantee the independence of the Secretariat in performing its functions in line with this Charter.

(d) Training

APC members and PG members shall receive orientation training on the purpose and mandate of the APC as necessary.

4. VALUES AND OPERATIONAL PRINCIPLES

The APC conducts itself in accordance with the present Charter. All communication with the Commission services, as well as with external auditors, will be direct, open, and complete. APC members, and the College as appropriate, should have at their disposal a full, regularly updated picture of all relevant audit findings, recommendations, commitments and follow-up action. Meetings of the APC shall not be public. Members of the APC will respect the confidentiality of documents and related debates.

5. RESPONSIBILITIES OF THE COMMITTEE

The APC shall draw up an annual work plan which ensures that its activities are effectively scheduled and implemented on time and that the Committee delivers on its responsibilities as set out below.

a. INTERNAL AUDIT

The APC shall ensure the independence of the Internal Auditor and that internal audit activities are conducted in accordance with recognised best practices. To re-assure itself with respect to the work of the IAS and the follow-up of its recommendations by the Commission services, the APC shall:

- Consider the annual declaration of independence of the Internal Auditor;
- Consider the internal audit mission charter of the IAS to ensure that it is consistent with changes in the financial, risk management, and governance arrangements of the Commission, and that it reflects developments in internal audit professional practices;
- Monitor the quality of internal audit work and its consistency with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing in particular by ensuring that the internal audit function has an external quality assurance review at least every five years or following any major structural changes, and that its results are followed up and brought to the attention of the College as necessary;
- Consider the Internal Auditor's multi-annual risk-based internal strategic audit plan and the annual audit work plans, including updates. In this context the IAS will transmit to the APC the consolidated information on the list of critical risks
and possible additional comments which it has received from the Corporate Management Board. In exceptional cases, pursuant to the Financial Regulation, the Chair may propose to the College to invite the IAS to carry out additional audits;

- Consider IAS internal audit reports and/or other communications from the IAS to Commission management (such as management letters covering cross-cutting issues) and respective action plans where applicable;
- Monitor the follow-up given by the Commission services to the recommendations of the IAS, and report to the College as necessary.

b. **EXTERNAL AUDIT AND RELIABILITY OF THE EU CONSOLIDATED ACCOUNTS**

To re-assure itself with respect to the audit related work of the European Court of Auditors (ECA) and the follow-up of its recommendations by the Commission services, the APC shall:

- Consider relevant findings in audit reports and other relevant communications from the ECA and where appropriate, may invite the relevant Member of the ECA to discuss a particular audit report in the APC;
- Monitor the follow-up given by the Commission services to the ECA’s recommendations, and report to the College as necessary;
- Consider, in particular, the ECA’s audit recommendations relating to the reliability of the EU consolidated accounts and monitor the Commission services' follow-up actions to address any risks identified. Exceptionally, if the risks relating to the reliability of annual accounts justify it and upon request by the Accounting Officer, the APC shall discuss the accounts before they are adopted.

c. **INTERNAL CONTROL FRAMEWORK, ANNUAL MANAGEMENT AND PERFORMANCE REPORT (AMPR) AND ANNUAL DISCHARGE PROCESS**

The APC shall consider the draft AMPR assurance-building pillars before the adoption of the AMPR by the College, including the IAS' Overall Opinion, the annual Internal Audit report, the results of the Annual Activity Report peer review process and the limited conclusions on the effectiveness of internal control in each Commission service provided by the IAS.

Furthermore, the APC shall consider the audit-related issues raised in the annual discharge resolutions and monitor the follow-up given by the Commission services through consideration of the report from the Commission to the European Parliament and the Council on the follow-up to the annual discharge.

6. **ORGANISATION OF APC MEETINGS**

(a) Planning of meetings

The APC holds at least three meetings per year. The APC Chair may call for additional meetings as considered necessary.

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Meetings of the APC are arranged sufficiently in advance to enable all members and invitees to attend.

(b) APC Agendas

The Chair proposes the agenda on the basis of the work of the PG. The APC shall adopt the agenda at the beginning of each meeting.

(c) Decision-making and quorum

The APC works on the basis of consensus. In the case of a lack of consensus, members may express their opinions in writing, and these will be attached to the minutes of the meeting.

The quorum for the APC shall be five members including at least two external Members. An absent Member cannot be replaced but he/she may express his/her opinion in writing.

In the event that the APC Chair is unable to attend an APC meeting, he will be replaced by members of the APC according to the order of replacement laid down in Article 3 of Commission Decision C(2014)9000.

(d) Invitees

The APC may invite relevant Members of the Commission and the Commission services (normally at Director-General level) to attend meetings when an audit report concerning their portfolio is discussed.

The Director-General of the IAS, the Director-General of DG BUDG, the Deputy Director-General of DG BUDG (also Accounting Officer of the Commission and responsible for the discharge and relations with the ECA), the Secretary General and a member of the President's Cabinet hold standing invitations to attend the APC meetings. Whenever audit-related IT issues are on the APC Agenda and DG DIGIT is not the auditee, the Director General of DG DIGIT will be invited to APC meetings.

The APC Chair may invite external invitees to attend meetings where it considers that this is appropriate.

Save as decided otherwise by the Chair, the APC Secretariat attends all meetings.

(e) Information requirements

Where written or oral contributions are required to support specific APC discussion points, this will be precisely communicated to the relevant service sufficiently in advance of the relevant meeting.

Supporting documentation for APC discussion points shall generally be provided to the APC at least five working days prior to the relevant meeting.

(f) Conduct of meetings and avoidance of conflict of interest

The Chair has the right to restrict contributions and to bring a debate to a close when he/she considers it appropriate.

When audits specifically concerning a service under his direct political responsibility are under discussion, the Chair will be replaced according to the order of replacement laid down in Article 3 of Commission Decision C(2014)9000.

When the APC examines an audit report that concerns a service under the direct political responsibility of a Member of the Committee, he/she shall declare an interest and refrain from commenting on recommendations raised in the report. If
there is any question as to whether APC member(s) should recuse themselves, the Chair shall decide whether such recusation is required.

(g) Written procedure

As a general rule, issues for the APC’s attention are placed on the agenda of regular meetings. However, the Chair may, where appropriate, instruct the secretariat to seek the agreement of the APC by written procedure.

(h) Minutes

Minutes are taken of all meetings of the APC for the attention of the Members of the College. The draft minutes shall be circulated to members of the APC for comments and approval. Standing invitees and auditees are consulted on the draft minutes as concerns those points for which they have been present in the APC meeting.

The approved minutes are transmitted systematically to the College as well as to the President of the ECA.

7. PREPARATORY MEETINGS

PG meetings serve to prepare APC meetings by considering all agenda points and ensuring that discussion in the APC focuses on the most relevant matters and that the most effective input and added value from the APC can be obtained from the meetings.

PG meetings are also attended by standing invitees: representatives from the IAS, DG BUDG, and the Deputy Director-General of DG BUDG (also Accounting Officer of the Commission and responsible for the discharge and relations with the ECA) or his/her representative, the Secretariat-General and a member of the President's Cabinet. Whenever audit-related IT issues are on the agenda and DG DIGIT is not the auditee, DG DIGIT will be invited to PG meetings.

Minutes are taken for all meetings of the PG and shall be circulated to members of the PG for comments and approval. Standing invitees and auditees are consulted on the draft minutes as concerns those points for which they have been present in the PG meeting.

8. REPORTING

Whilst the APC has no management powers, it may, at any time, report to the College on any issues arising out of the APC’s work on which it considers the College needs to be informed or to take action. The APC may also bring issues to the attention of the Corporate Management Board as appropriate.

Furthermore, the APC will draw up an annual report to the College summarizing the committee’s main conclusions and recommendations as concerns the risk, control, and compliance framework in the Commission, which will feed into the Annual Management and Performance Report of the Commission.

The report should at least include:

- A summary of the work the committee has undertaken to fully discharge its responsibilities during the preceding year;
- Any relevant considerations on the quality of internal audit work;
• A summary of progress in addressing corrective actions on the most relevant findings and recommendations made in internal and external audit reports, and audit-related issues raised in the annual discharge resolution;

• An overall summary of the most relevant APC findings as concerns the Commission's risk, control, and compliance framework;

• Details of meetings, including the number of meetings held during the relevant period.