

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

**IN RELATION TO BODIES HAVING LEGAL PERSONALITY SET UP BY A BASIC  
ACT AND ENTRUSTED WITH THE IMPLEMENTATION OF A PUBLIC-PRIVATE  
PARTNERSHIP**

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 209 of the Financial Regulation<sup>2</sup>, hereinafter referred to without discrimination as 'Public-Private Partnership (PPP) body'.

This mission charter uses the definitions set out in Art. 2 of the Model Financial Regulation (MFR)<sup>3</sup> and Art. 2 of the Financial Rules of the Clean Sky 2 Joint Undertaking<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, objective assurance, advice and insight. The IAS helps the PPP body 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 PPP body.

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 MFR (in particular recital 7 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

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<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 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council

<sup>4</sup> Financial Rules of the Clean Sky 2 Joint Undertaking, adopted by the Governing Board of CSJU under CS-GB-2014-03-07

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 Executive Director. They are intended to add value and improve the PPP body's governance, risk management and control processes without the internal auditor assuming management responsibility.

The primary **objective** of the IAS is to provide the PPP body 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 PPP body's policies, procedures and applicable laws and regulations are complied with,
- The PPP body's objectives are achieved effectively and efficiently,
- The development and maintenance of high-quality control processes are promoted throughout the PPP body.

## **2. ACCOUNTABILITY**

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

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

- Report significant issues related to the audited activities of the PPP body, 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. 26 (6) subparagraph 2 MFR).

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

## **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.

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

#### **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 Executive 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 on the organisation and submit these updated plans to the Executive 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 Executive Director or the Governing Board. The Internal Auditor may change the annual plan in the course of the year after informing the Executive Director and the Governing Board.
- Establish a follow-up process in order to monitor that recommendations have been implemented and inform the Governing Board and the Executive Director in accordance with Art. 26 (6) sub-paragraph 2 MFR.
- 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 Executive Director, when the main findings and recommendations are presented, unless the auditee considers that such meeting is not necessary.

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<sup>6</sup> See Art 28.1 sub-paragraph 8 of the Commission Delegated Regulation (EU) No 110/2014 of 30 September 2013 on the model financial regulation for public-private partnership bodies referred to in Article 209 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council, concerning the establishment of Internal Audit Capabilities.

- Promptly validate its findings and discuss its recommendations with the PPP body's management. The position of the PPP body'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 Executive Director and the Governing Board.
- Formally communicate in writing to the Executive Director and the Governing Board where the Head of IAS believes that the PPP body management has accepted an unreasonably high level of risk.
- Communicate copies of final audit reports, with the PPP body comments, to the European Court of Auditors.
- Report any suspected fraudulent activities within the PPP body to OLAF<sup>7</sup> and, as appropriate, to the Executive 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.

## 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 PPP body, as considered necessary for the fulfilment of their duties, unless the constituent act or the specific financial regulation of the PPP body provide otherwise.
- Obtain the necessary assistance of PPP body 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 PPP body's internal control system.

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

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

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<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).

## 6. STANDARDS OF AUDIT PRACTICE AND ETHICS

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

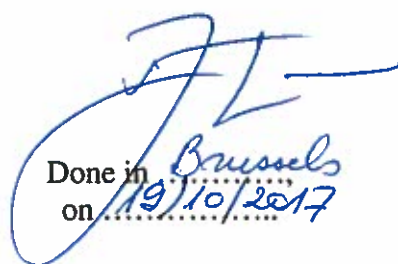
- The core principles for the Professional Practice of Internal Auditing
- The definition of internal auditing,
- The Code of Ethics, and
- The International Standards for the Professional Practice of Internal Auditing

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


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

  
Done in Brussels,  
on 18/09/2017

Executive Director of the  
Clean Sky 2 Joint  
Undertaking

  
Done in Brussels  
on 19/10/2017

For the Clean Sky 2 Joint  
Undertaking  
Governing Board,  
The Chair

  
Done in Brussels  
on 19/10/2017