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**COMMUNICATION TO THE COMMISSION**

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

## COMMUNICATION TO THE COMMISSION

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

The Internal Audit Service was established by Commission Decision on 11 April 2000<sup>1</sup> and its first charter was adopted on 31 October 2000<sup>2</sup>. The need to establish an internal audit function is mentioned in Article 117 of the Financial Regulation<sup>3</sup>. Article 118 of the Financial Regulation indicates that the Commission shall provide the internal auditor with a mission charter detailing the tasks, rights and obligations of the Internal Auditor.

This mission charter replaces the charter adopted in 2020<sup>4</sup> and sets out the mission, objectives, reporting and working arrangements essential to the proper fulfilment of the Internal Audit Service's role in accordance with the relevant legal basis.

#### 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 Internal Audit Service helps the Commission 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 Commission and its departments.

Assurance services are an objective examination of evidence for the purpose of providing an independent assessment of the effectiveness of risk management, control and governance processes. For its assurance services, the Internal Audit Service will rely on risk-based planning and 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 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.

The primary **objective** of the Internal Audit Service 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:

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

<sup>2</sup> SEC(2000)1801/2

<sup>3</sup> Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union

<sup>4</sup> C(2020)1760

- risks are appropriately and continuously identified, assessed 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 Internal Audit Service is under the authority of the Member of the Commission responsible for internal audit<sup>5</sup>.

The Internal Audit Service shall report and be accountable functionally to the Audit Progress Committee<sup>6</sup> to:

- report significant issues related to the audited activities of the Commission, including potential improvements to those processes;
- provide annually, on the basis of the nature and scope of the work of the Internal Audit Service, an overall opinion on the state of financial management in the Commission;
- report at least annually to the Audit Progress Committee on the Internal Audit Service 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 Internal Audit Service audits or ask the Internal Audit Service to make any alterations to the content of audit reports<sup>7</sup>.

In order to ensure objectivity in their judgement and avoid conflict of interest, Internal Audit Service internal auditors must preserve their independence in relation to the activities and operations they review<sup>8</sup>. 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 contact directly the President of the Commission and/or the College.

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<sup>5</sup> Ref. P(2019)1, Decision of the President of the European Commission of 1 December 2019 on the organisation of responsibilities of the Members of the Commission

<sup>6</sup> Created by Decision of the Commission SEC 1808/3 of 31.10.2000.

<sup>7</sup> Refer to Institute of Internal Auditors standards 1100 on Independence and Objectivity and 1110 and 1110.A1 on Organizational Independence.

<sup>8</sup> Refer to Institute of Internal Auditors standards 1120 on Individual Objectivity and 1130 on Impairments to Independence or Objectivity.

The Internal Audit Service, 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 Commission Services<sup>9</sup>.

#### **4. RESPONSIBILITY**

The Internal Auditor has responsibility to:

- develop and establish the Internal Audit Service audit procedures;
- develop a three-year audit plan and an annual audit plan using appropriate and updated risk-based methodology, including any risks or control concerns identified by management and submit these plans to the Audit Progress Committee 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 Audit Progress Committee for consideration;
- in developing the three-year audit plan and when adapting the work programme, consult with the Directorates-Generals and Services for the purpose of providing optimal audit coverage;
- ensure audit coordination with the European Court of Auditors as appropriate;
- implement the audit plan including as appropriate any special tasks or projects requested by the Audit Progress Committee, Directors-General/Heads of Service. The Internal Auditor may change the plan in the course of the year after informing the Audit Progress Committee;
- establish a follow-up process in order to monitor that recommendations have been implemented and inform the Audit Progress Committee accordingly, with special attention for the overdue recommendations and the related risks;
- develop and maintain a quality assurance programme that covers all Internal Audit Service audit activities and continuously monitor its effectiveness. This programme includes periodic internal and external assessments and ongoing internal monitoring;
- ensure that the Internal Audit Service resources are appropriate, sufficient and effectively deployed to meet the requirements of the annual work plan;
- perform 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 findings and discuss recommendations with the auditee. The auditee's position should be reflected in the final report, particularly in the case of disagreement;

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<sup>9</sup> The relevant working arrangements between the Internal Audit Service and the European Anti-Fraud Office (OLAF) apply.

- 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;
- effectively and timely communicate the results of audit engagements (assurance and consulting) to Directors-General/Heads of Service and the Audit Progress Committee;
- formally communicate in writing to the Director-General/Head of Service and the Audit Progress Committee where the Internal Auditor believes that Commission management has accepted an unreasonably high level of risk;
- in line with Article 22a of the Staff Regulations, inform without delay either the Director-General/Head of Service concerned, or the Secretary-General, or the Audit Progress Committee, or persons in equivalent positions, or the European Anti-fraud Office (OLAF) directly<sup>10</sup>;
- submit an annual internal report to the Commission, indicating the number and type of internal audits carried out, the principal recommendations made and the actions taken on those recommendations, in accordance to Article 118(4) of the Financial Regulation;
- provide annually an overall opinion on the 'state of financial management in the Commission';
- provide a limited conclusion on the 'state of internal control' in each Directorate-General or Service based on the respective audit work carried out in the last five years ('negative assurance') as input for the Annual Activity Report of the respective Authorising Officer;
- respect confidentiality with regard to the information gathered from the audit and consultancy engagements performed;
- disclose and explain to the Audit Progress Committee 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 Internal Auditor and the staff of the Internal Audit Service 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's staff in all Directorates-General and Services;
- allocate resources, select subjects, determine the scope of work and apply the techniques required to accomplish audit objectives;

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<sup>10</sup> Decision of 2.6.1999 OJ L 149, 16.6.1999, p. 57 and C(2002)845 of 5.3.2002

- 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 Internal Auditor 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 Internal Audit Service, except to the extent such staff members have been appropriately assigned to auditing teams or to otherwise assist the Internal Audit Service.

## **6. STANDARDS OF AUDIT PRACTICE AND ETHICS**

The Internal Audit Service will adhere to the mandatory guidance of the International Professional Practices Framework promulgated by The Institute of Internal Auditors. The mandatory elements of the International Professional Practices Framework are:

- The Core Principles for the Professional Practice of Internal Auditing.
- The Definition of Internal Auditing.
- The Code of Ethics.
- The International Standards for the Professional Practice of Internal Auditing.

The mandatory guidance 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.