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ANNEX

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to the Communication to the Commission

from Commissioner Reynders in agreement with the President

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

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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 of the European Commission, in conformity with Article 123 of the Financial Regulation¹.

2. ROLE AND PURPOSE

The Audit Progress Committee 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, monitoring the quality of internal audit work, and by ensuring that internal and external audit recommendations are properly taken into account by the Commission departments and that they receive appropriate follow-up. In this way the Audit Progress Committee 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 Audit Progress Committee 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. MEMBERSHIP AND COMPOSITION

(a) The Audit Progress Committee

The Audit Progress Committee 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 Chair is a Member of the Commission designated by the President of the Commission².

The Chair and three Members of the Commission are appointed for the whole of the mandate, up to two Members of the Commission are appointed to join for the first half of the mandate and up to 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.

¹ Ref. Article 123 of Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union, repealing Regulation (EU, Euratom) No 966/2012 (2012 Financial Regulation).

² 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.

External members are selected on the basis of an open and transparent procedure. They are appointed in accordance with the Commission's rules for Special Advisers³. In principle, external members serve a term of up to 4 years, which may exceptionally, for reasons of continuity and in the interest of the Commission, be extended to a total maximum of 8 years.

(b) The Preparatory Group

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 Preparatory Group. The Preparatory Group is chaired by the Cabinet of the Audit Progress Committee Chair.

(c) Audit Progress Committee Secretariat

The Audit Progress Committee is assisted by a secretariat. The Secretariat serves all the members of the committee. It reports directly to the Preparatory Group Chair and assists the Audit Progress Committee Chair in preparing, conducting and reporting on its meetings. Working arrangements put in place between the Secretariat and the Internal Audit Service, in agreement with the Preparatory Group Chair, shall guarantee the independence of the Secretariat in performing its functions in line with this Charter.

(d) Training

Audit Progress Committee members and Preparatory Group members shall receive orientation training on the purpose and mandate of the committee as necessary.

4. VALUES AND OPERATIONAL PRINCIPLES

The Audit Progress Committee conducts itself in accordance with the present Charter.

All communication with the Commission departments, as well as with external auditors, will be direct, open, and complete.

Audit Progress Committee 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 shall not be public. Members will respect the confidentiality of documents and related debates.

5. RESPONSIBILITIES OF THE COMMITTEE

The Audit Progress Committee 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 Audit Progress Committee 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 Internal Audit Service

³ Commission Decision C(2014) 541 final of 6 February 2014 amending the Rules on special advisers to the Commission (C(2007)6655).

and the follow-up of its recommendations by Commission departments, the Audit Progress Committee shall:

- Consider the annual declaration of independence of the Internal Auditor.
- Consider the mission charter of the Internal Audit Service 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 5 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 Internal Audit Service will transmit to the Audit Progress Committee 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 Regulation⁴, the Chair may propose to the College to invite the Internal Audit Service to carry out additional audits.
- Consider the Internal Audit Service's audit reports and/or other communications from the Internal Audit Service 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 departments to the recommendations of the Internal Audit Service, 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 and the follow-up of its recommendations by Commission departments, the Audit Progress Committee shall:

- Consider relevant findings in audit reports and other relevant communications from the European Court of Auditors and, where appropriate, may invite the relevant Member of the European Court of Auditors to discuss a particular audit report in the Audit Progress Committee;
- Monitor the follow-up given by Commission departments to the European Court of Auditors' recommendations, and report to the College as necessary;
- Consider, in particular, the European Court of Auditors' audit recommendations relating to the reliability of the EU consolidated accounts and monitor the Commission's follow-up actions to address any risks identified. Exceptionally, if the risks relating to the reliability of annual accounts justify it

⁴ Ref. Article 119 of Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union, repealing Regulation (EU, Euratom) No 966/2012 (2012 Financial Regulation).

and upon request by the Accounting Officer, the Audit Progress Committee shall discuss the accounts before they are adopted.

c. INTERNAL CONTROL FRAMEWORK, ANNUAL MANAGEMENT AND PERFORMANCE REPORT AND ANNUAL DISCHARGE PROCESS

The Audit Progress Committee shall consider the assurance-building pillars of the annual management and performance report before its adoption by the College, including the Internal Auditor's 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 department provided by the Internal Audit Service.

Furthermore, the committee shall consider the audit-related issues raised in the annual discharge resolutions and monitor the follow-up given by Commission departments 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 MEETINGS

(a) Planning of meetings

The Audit Progress Committee holds at least three meetings per year. The Chair may call for additional meetings as necessary.

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

(b) Agendas

The Chair proposes the agenda on the basis of the work of the Preparatory Group. The Audit Progress Committee shall adopt the agenda at the beginning of each meeting.

(c) Decision-making and quorum

The Audit Progress Committee works on the basis of consensus. Should there be a lack of consensus, members may express their opinions in writing, and these will be attached to the minutes of the meeting.

The quorum shall be five members including at least two external members. An absent member cannot be replaced but may provide an opinion in writing.

Should the Chair be unable to attend an Audit Progress Committee meeting, he will be replaced by another Member of the College present according to the order of replacement laid down in Article 3 of the Decision of the President of the European Commission P(2019) 1.

(d) Invitees

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

The Director-General of the Internal Audit Service, the Director-General of the Directorate-General for Budget, the Deputy Director-General of the Directorate-General for Budget (also Accounting Officer of the Commission and responsible for the discharge and relations with the European Court of Auditors), the Secretary General and a member of the President's Cabinet hold standing invitations to attend

meetings. Whenever audit-related information technology issues are on the agenda and the Directorate-General for Informatics is not the auditee, its Director-General will be invited to the Audit Progress Committee's meetings. Other Commission departments may be invited to meetings whenever issues relevant to their areas of responsibility are on the agenda and they are not the auditee.

The Chair may ask external invitees to attend meetings where appropriate.

Unless decided otherwise by the Chair, the Secretariat attends all meetings.

(e) Information requirements

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

Supporting documentation for discussion points shall generally be provided at least five working days prior to the 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 considered appropriate.

When audits specifically concerning a department under his direct political responsibility are under discussion, the Chair will be replaced by another Member of the College present according to the order of replacement laid down in Article 3 of the Decision of the President of the European Commission P(2019) 1.

When the Audit Progress Committee examines an audit report that concerns a department under the direct political responsibility of a Member of the College appointed to the Audit Progress Committee, this Member shall declare an interest and refrain from commenting on recommendations raised in the report. External members shall also refrain from discussions on matters in which they have an interest. If there is any question as to whether member(s) should recuse themselves, the Chair shall decide whether such recusation is required.

(g) Written procedure

As a general rule, issues for the Audit Progress Committee'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 committee by written procedure.

(h) Minutes

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

The approved minutes are transmitted systematically to the College as well as to the President of the European Court of Auditors.

7. PREPARATORY MEETINGS

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

The Preparatory Group may invite relevant Commission departments (normally at Director level) to attend meetings when an audit report concerning their portfolio is discussed.

Preparatory Group meetings are also attended by standing invitees: representatives from the Internal Audit Service, the Directorate-General for Budget, and the Deputy Director-General of the Directorate-General for Budget (also Accounting Officer of the Commission and responsible for the discharge and relations with the European Court of Auditors) or his/her representative, the Secretariat-General and a member of the President's Cabinet. Whenever audit-related information technology issues are on the agenda and the Directorate-General for Informatics is not the auditee, the department will be invited to the Preparatory Group's meetings. The Preparatory Group Chair may also invite other Commission departments whenever audit-related issues relevant to their areas of responsibility are on the agenda and they are not the auditee.

Minutes are taken for all Preparatory Group meetings and circulated to its members for comments and approval. Standing invitees and auditees are consulted on the draft minutes for the points for which they have been present in the meeting.

8. REPORTING

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

The Audit Progress Committee will also draw up an annual report to the College summarising 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 committee's most relevant findings as concerns the Commission's risk, control, and compliance framework; and
- details of meetings, including the number of meetings held during the relevant period.