



Brussels, 4.4.2017
C(2017) 2225 final

COMMUNICATION TO THE COMMISSION

**from First Vice-President Timmermans in agreement with the President of the
Commission**

THE AUDIT PROGRESS COMMITTEE OF THE EUROPEAN COMMISSION

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

1. BACKGROUND

In May 2015¹ the Commission adopted the Charter of the Audit Progress Committee setting out a mandate for its work.

Last year, the European Court of Auditors published a special report on governance at the Commission². In its response to that report, the Commission committed itself to consider, in the context of the mid-mandate renewal of the membership of the Audit Progress Committee, the issue of an increase in the number of external members of the committee.

The Audit Progress Committee discussed this matter at its 85th meeting and considered that an increase from two to three external members, without increasing the total number of members of the committee, would be appropriate. Such a change requires an update of the Charter of the Audit Progress Committee.

Reflecting this change in the composition of the Audit Progress Committee, as well as changes in the portfolios of certain Members of the College, it is also necessary to slightly adapt the College's earlier decision on the Members of the College who are members of the Audit Progress Committee.

Finally, the attached updated Charter also simplifies certain of the committee's procedures and includes improvements to the structure of the document to improve its readability.

2. COMMISSION DECISION

Reflecting these points, the Commission decides:

- a) To approve the attached updated Charter of the APC with effect as of 1 April 2017;
- b) To confirm Commissioner Oettinger as a member of the Audit Progress Committee as of 1 January 2017, the date on which he assumed responsibility for the budget and human resources portfolio;
- c) To confirm First Vice-President Timmermans as Chair and Commissioner Hogan and Commissioner Moedas as members of the Audit Progress Committee for the whole mandate, and to confirm Commissioner Mimica and Commissioner Vestager as members for the first half of the mandate (to end July 2017) and Commissioner Crețu until 1 April 2017;
- d) To confirm Commissioner Vella and Commissioner Thyssen as members of the Audit Progress Committee for the second half of the mandate (from August 2017);

¹ C(2015) 3014 final

² Special report No 27/2016: Governance at the European Commission - best practice?

- e) To increase the number of external members of the Audit Progress Committee from two to three as of 1 April 2017;
- f) To confirm Ms Caroline Mawhood as an external member of the Audit Progress Committee and that two new external members will be appointed, to be selected by First Vice-President Timmermans in agreement with Commissioner Oettinger from the reserve list established further to the call for expression of interest³.

³ Official Journal of the European Union, CA 442, 29 November 2016

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).

2. ROLE AND PURPOSE

The APC assists the College of Commissioners in fulfilling its obligations under the Treaties 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 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.

(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.

(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 exceptional cases, pursuant to the Financial Regulation⁴, 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;

⁴ Ref. Article 116 (2) of Commission Delegated Regulation (EU) No. 1268/2012

- 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

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.

c. ANNUAL DISCHARGE PROCESS

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.

d. INTERNAL CONTROL FRAMEWORK

The APC shall consider the annual opinions or conclusions on the effectiveness of internal control in each Commission service provided by the IAS as well as any relevant reports thereon drawn up by the IAS or other Commission services, and report to the College as necessary.

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.

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 Internal Audit Service, the Director-General of DG BUDG, the Deputy Director-General of DG BUDG 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 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 European Court of Auditors.

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 Commission's Internal Audit Service, DG BUDG, and the Deputy Director-General of DG BUDG 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 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.