

DECISION
ADB(D) 1-2008

Creation of a Permanent Audit Panel

The Administrative Board of the SESAR Joint Undertaking,

Having regard to the proposal made by the Audit Task Force to constitute a permanent audit panel,

In its ordinary meeting of 21 February 2008, has adopted the following decision

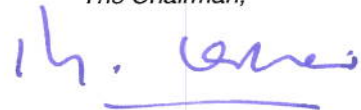
Article 1

A Permanent Audit Panel for the SESAR Joint Undertaking is hereby created, as per the Audit Task Force's proposal annexed with reference ADB(ATF)3.0 to this decision.

This decision shall enter into force on the date of its approval.

Done in Brussels, 21 February 2008

The Chairman,



Daniel Calleja

Summary report from the SESAR Joint Undertaking Audit Task Force

Doc ADB(ATF) 3.0

Introduction

A significant part of the financial contributions to the SESAR Joint Undertaking (SJU) will come from its founding members: the Community - represented by the Commission (EC) - and EUROCONTROL represented by its Agency (ECTL). It is therefore important that the audit requirements of these bodies are known to the SJU and that its internal rules and financial regulation duly take them into account.

In order to ensure that these requirements are fully and efficiently addressed by the SJU, on 3.07.2007 its Administrative Board decided to establish a dedicated working group composed of internal and external auditors from both founding members.

The mandate of the group is to:

1. Develop collaborative working arrangements to ensure that the audit requirements which the SJU will have to fulfil are met in an efficient way and that duplication of efforts is avoided;
2. Make proposals on how to reflect such arrangements in the financial regulation of the SJU.

Summary of the task force's work

The task force is composed of the following members:

From the EC:

- Mr Jean-Marie Sirault (DG TREN external audit), Ms Laura Candeloro (DG TREN internal audit), Mr Bernard Magenmann (IAS), Mr Marco De Sciscio (DG TREN-SESAR unit – coordinator of the group);

From ECTL:

- Mr Ross Walton (internal audit), Mr Dariusz Nowak & Ms Martine Blockx (external audit);

From the European Court of Auditors (ECA):

- Mr Richard Hardy (Head of unit Transport, Research & Energy Financial audit) & Ms Alessia Comoglio (auditor - Transport, Research & Energy Financial audit);

From the SJU:

- Mr Olivier Meert (Interim Director of Administration and finance)

The first meeting of the working group was held on 23.11.2007 and a second meeting took place on 15.01.2008, both in Brussels. The main results of the discussions can be summarised as follows:

All the participants agreed that the group was a very useful initiative and that as the SJU was in the process of being set up, it was in fact the right time to address the audit issues in order to avoid difficulties in the future.

The Task force has highlighted the complexity of the SJU structure which is subject to both EU and Belgian legislation.

The participants felt that it was necessary to coordinate, as far as possible, the audit exercises and share the results amongst the auditing bodies.

It was noted that the SJU will be a light structure of about 30 staff. Audit exercises are expected to require much effort on the SJU administrative staff. Therefore the possibility of coordinating audit efforts in order to avoid duplication, which would result in a large number of audits, should be explored in order to lighten the administrative burden.

Nevertheless, at this stage there is a need for a better understanding of the SJU's decision-making process, the roles & responsibilities of all the actors involved in management and auditing and on the reporting lines of the SJU, as well as the accounting system that the SJU will adopt.

The panel has mapped the audits which will be performed on the SJU. They are summarised in the following table:

	EC DGTREN	SJU INTERNAL AUDITOR (EC- IAS)	ECA	ECTL	SJU FINANCIAL AUDITOR	OLAF
Annual accounts & balance sheets	Art. 17 ST Art. 38 FR		Art. 15.5 ST Art. 36 FR	Art. 38 FR	X	
Internal rules & procedures - governance	Art. 17 ST	Art. 21 FR		ECTL Internal audit requirements		
Recipients of SJU funds (members & subcontractors)	Art. 10 ST Art. 17 ST					Art. 20.3 ST
SJU Staff	Art. 17 ST		Art. 20.3 ST			Art. 20.3 ST
FR=SJU Financial regulation ST= SJU Statutes						

The panel is also assessing the requirements and the timing of the individual audits in order to identify areas for coordination.

There will be two types of audit exercises:

Internal audit

The scope of the internal audits is to assess the SJU's governance, internal procedures and processes, risk management, and operations. The EC internal audit services will be performing such audits in the SJU and ECTL internal audit services may conduct controls on the ECTL contribution to the SJU. It has been confirmed by the Commission's services that the Commission's Internal Audit Service is in fact the Joint Undertaking's internal auditor in accordance with Article 185 of the Commission's financial regulations.

The assessments done by the internal auditors will be based on a number of "internal control standards". The EC and ECTL have established these standards for their own organisations

and shall serve as a basis for defining the ones to be applied by the SJU, duly "calibrated" in order to take into account the nature and the scope the SJU.

External audit

The scope of the external audits is the assessment of the SJU's accounts. The issue raised within the task force is the definition of type of financial statements that the SJU will have to prepare in order to satisfy the requirements of the founding members as well as the requirements under Belgian law. In fact, the SJU financial statements will be incorporated into the accounts of both the EC and ECTL which require the IFRS format; On the other hand, under Belgian law, the SJU will have to prepare its statements according to Belgian GAAP. In order to avoid duplication of efforts, the SJU should be able to present its financial statements in one format and provide, where required and in an agreed format, any other complementary information.

Proposal for the establishment of a permanent audit panel

In the light of the complex set-up the SJU and the different requirements of its members and the hosting State and in order to ensure:

- the exchange of information in respect of audit programmes and results;
- efficiency in the use of audit resources (avoiding duplication of audits);
- coordination of the approaches and, in general, cooperation on an ongoing basis, whilst complying with the rules and regulations in force and the respective mandates of the different auditors;

the task force proposes the establishment of a **permanent audit panel** to assist the SJU and its Administrative Board.

Scope of the audit panel:

With a focus on simplification and harmonization of procedures and facilitation:

- To promote effective communication between the Administrative Board, the Executive Director and the auditors of the Joint Undertaking.
- To ensure effective coordination of the audit work to be carried out in order to avoid duplication, insofar as permitted under the respective mandates of the auditors of the Joint Undertaking.
- To analyze specific audit issues that may arise and to harmonize positions in order to reach a common approach, insofar as permitted under the respective mandates of the auditors of the Joint Undertaking.
- To provide the Administrative Board and the Executive Director of the SJU with advice on financial, control and risk matters (ex. preparation of the budget, issues relating to conflicts of interest).

The panel should report directly to the Administrative Board.

Composition of the panel:

The Audit Panel shall be composed of:

- the Head of Administration and Finance of the Joint Undertaking;

- a representative of the Unit in DG TREN in charge of relations with the Joint Undertaking;
- a representative of the External Audit Unit of DG TREN;
- a representative of the Internal Audit Capability of DG TREN;
- the Head of Internal Audit of Eurocontrol and/or his delegated representative;
- the Head of External Audit of Eurocontrol and/or his delegated representative;
- a representative of the Internal Audit Service of the Commission;
- The European Court of Auditors may participate in the Audit Panel with the status of observer. The Court's representative shall be the Head of Unit of the Transport, Research and Energy Financial Audit Division and/or his delegated representative(s).

Rules of procedure of the panel

- The Audit Panel shall adopt its rules of procedure.

Future work of the task force

The audit task force shall meet again on 24.03.2008. It intends however to limit the number of its meetings and in any case shall cease to exist if the permanent audit panel is put in place.

Brussels, 19.02.2008