

DECISION
ADB(D) 11-2010

“Modification of the SESAR Joint Undertaking Internal Audit arrangements”

The Administrative Board of the SESAR Joint Undertaking (SJU),

Having regard to Article 4a.2 of Council Regulation (EC) 219/2007 as last modified by Council Regulation (EC) 1361/2008, hereinafter the “SJU Regulation”;

Having regard to Article 7a of Council Regulation (EC) 219/2007 as last modified by Council Regulation (EC) 1361/2008, hereinafter the “SJU Statutes”;

Having regard to Articles 7.5(a) and 8 of the SJU Statutes annexed to the SJU Regulation;

Having regard to Administrative Board Decisions ADB(D)13-2009 and ADB(D) 21-2009;

Having regard to Article 38.4 of the SJU Financial Rules;

Having regard to Opinion No 2/2010 of the European Court of Auditors;

After having taken into account the opinion expressed by the Internal Auditor of the European Commission in his note dated 14.09.2010 to the Executive Directors of the Clean Sky and Fuel Cells and Hydrogen Joint Undertakings and copied to the SJU Executive Director;

In order to ensure that the Internal Audit function established in the SJU is in compliance with the Financial Regulation of the European Union, and in particular its Article 185 (3) which establishes that *“the Commission’s Internal Auditor shall exercise the same powers over the bodies referred to in paragraph 1 as he/she does in respect of Commission departments”* ;

Considering that the SJU is included in the bodies of Article 185(1) and consequently the provisions of Article 185 (3) of the General Financial Regulation shall apply;

has adopted the following decision:

Article 1

Administrative Board Decision ADB(D)13-2009 is repealed. The SJU Internal Audit Charter (SJU-AB-011-09-03) is repealed.

Article 2

The Administrative Board takes note of the role of the Internal Auditor of the European Commission in respect of the SJU as established by Article 185 (3) of the General Financial Regulation and, in order to ensure that Article 7a of the SJU Statutes is implemented, requests the Executive Director to establish the necessary arrangements with the European Commission Internal Auditor and report back, at the latest, at the next Administrative Board meeting.

Article 3

The Administrative Board requests the Executive Director to establish an Internal Audit Capability in accordance with Article 4.a.2 of the SJU Statutes.

Furthermore, it invites the Executive Director to ensure that the Annual Audit Plan 2010 of the former Internal Auditor is completed by the Internal Audit Capability and that an Annual Audit Plan 2011 is established.

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

Done in Brussels, 19 October 2010.

For the Administrative Board



Daniel Calleja Crespo
The Chairperson

Charter of the SJU Internal Audit Capability.

Mission and Objectives

The mission of the IAC is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the SJU. The IAC helps the SJU accomplish its objectives by bringing a systematic, disciplined approach in order to evaluate and make recommendations for improving the effectiveness of risk management, control, and governance processes¹. Thereby it promotes a culture of efficient and effective management within the SJU.

Assurance is an objective examination of evidence for the purpose of providing an independent assessment of the effectiveness of governance, risk management and control processes. For its assurance services, the IAC will rely on risk-based planning, and an opinion should be included 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 and which are intended to add value and improve the SJU's governance, risk management, and control processes without the internal auditor assuming management responsibility.

The primary objective of the IAC is to provide the Executive Director with assurance as to the effectiveness and efficiency of the governance, risk management and control processes in the SJU, with special reference to the following aspects:

- Risks are appropriately and continuously identified and managed,
- Significant financial, managerial, and operating information is accurate, reliable, and timely,
- The SJU's policies, procedures, and applicable laws and regulations are complied with,
- The objectives of the SJU are achieved effectively and efficiently,
- The development and maintenance of high-quality control processes are promoted throughout the SJU.

Accountability

The IAC is under the authority of the Executive Director and shall be accountable to the Executive Director to:

- Submit for approval an annual work plan founded on a risk-based approach as part of the Annual Work Programme of the SJU for endorsement by the Administrative Board.
- Report significant issues related to the processes for controlling the activities of the SJU as discovered during the course of the IAC's audit work, including potential improvements to those processes. These issues should be incorporated in the report of the Executive Director to the Administrative Board.
- In accordance with the nature and the scope of the IAC work during the year in question, express an opinion on the state of control within the SJU.
- Take due account of reports by the European Court of Auditors (ECA) and share information with other internal and external providers of relevant assurance and consulting

¹ The combination of processes and structures implemented by the senior management to inform, direct, manage, and monitor the activities of the DG or Service toward the achievement of its objectives.

services, such as the IAS, ex-post audit units, Internal Control Coordinators, risk managers, local security officers and to ensure proper coverage and minimise the duplication of efforts.

- Report to the Administrative Board at least annually on the IAC's mission, authority and responsibility, and performance in relation to the annual work plan².

Independence and Objectivity

No authority may interfere in the conduct of IAC work or ask the IAC to make any alterations to the content of audit reports.

The IAC shall address any issue which in fact or appearance might impair his/her independence in determining the scope and planning of the audit activities, performing them and communicating their results, in his/her annual work plan, annual report and individual audit reports.

In exceptional circumstances, when, on the basis of his/her formal assurance or consultancy work, the IAC concludes that the Executive Director has accepted an unreasonably high risk, he/she may, after informing the Executive Director, report his/her concerns to the Administrative Board.

In order to ensure objectivity in their opinions and avoid conflicts of interest, IAC internal auditors must preserve their independence in relation to the activities and operations they review³.

The IAC will confirm to the Executive Director, at least annually, the organisational independence of the internal audit activity

Responsibility

The IAC has a responsibility to the Executive Director to:

- Develop and establish the IAC audit procedures, including a follow-up process.
- Implement the annual work plan, as approved, including as appropriate any special tasks or projects requested by the Executive Director.
- Ensure that the IAC resources are appropriately and effectively deployed to meet the requirements of this Charter and the annual work plan.
- Develop and maintain a quality programme that covers all IAC audit activities and continuously monitors its effectiveness. This programme may include periodic internal and external quality assessments and ongoing internal monitoring and be adapted to the size of the IAC.
- Promptly validate his/her findings and related risks and discuss his/her recommendations with the auditee. The auditee's position should be reflected in the final report, particularly in the case of disagreement.
- Finalise audit reports, under his/her own responsibility, without undue delay.
- Effectively and timely communicate results of audit engagements (assurance and consulting) to the Executive Director and management directly concerned.

² This refers to the activity report of the IAC.

³ Refer to IIA standards 1120 on Individual Objectivity and 1130 on Impairments to Independence or Objectivity.

- Formally communicate in writing to the Executive Director where he/she believes that the auditee has accepted an unreasonably high level of risk.
- Respect confidentiality with regard to information gathered from the audit and consultancy engagements performed.
- Communicate to senior management on the quality assurance and improvement programme of the internal audit activity, including results of ongoing internal assessments and external assessments conducted at least every five years.
- Disclose and explain any failing or inability to meet and comply with the requirements of this charter in the annual work plan and/or annual activity report.

In the context of relations with the Internal Audit Service (IAS):

- Provide the IAS with the annual work plan and annual activity report of the IAC.
- Collaborate closely with the IAS while defining the audit universe and performing the risk assessment, for the purpose of establishing a coordinated audit plan.
- Send final audit reports to the Executive Director, with a copy to the IAS.

In the context of relations with other services/institutions:

- Report any suspected fraudulent activities within the SJU to the Executive Director and OLAF⁴ in accordance with the regulations in place.
- Ensure that the annual work plan and annual activity report of the IAC are sent to the Court of Auditors and take due account of control issues emanating from the Court's reports in the risk analysis and audit planning.

Authority

The IAC and his/her staff are authorised to:

- Have unrestricted access to all functions, information systems, records, property, and personnel within the SJU, as considered necessary for the fulfilment of their duties.
- Obtain the necessary assistance of staff in all the units of the SJU.
- Allocate resources, select subjects, determine scopes 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 SJU's internal control system.
- In accordance with the design of the financial circuits implemented within the SJU, act as Operational Initiator for administrative expenses linked to the activity of the unit (missions, training, etc.).

The IAC and his/her staff are **not** authorised to:

- Perform any operational duties for the SJU.
- Initiate or approve financial transactions external to the IAC.
- Direct the activities of any staff member not employed by the internal auditing capability, except to the extent such staff members have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

⁴ Decision of 2 June 1999 (OJ L 149, 16.6.1999, p. 57) and C(2002)845 of 5 March 2002.

Standards of Audit Practice

The IAC will adhere to the mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing* as drawn up by the Institute of Internal Auditors. Such professional standards and the Code of Ethics 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.

Internal Audit Capability

Executive Director

Dated

Dated