

## DECISION 22/2021 OF THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

### ON ADOPTING THE CHARTER OF THE INTERNAL AUDIT CAPABILITY OF THE EIT

#### THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY,

Having regard to Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (hereinafter referred to as the "EIT Regulation")<sup>1</sup>, as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013<sup>2</sup>, and in particular to Article 4 (1) d "EIT bodies" and Section 2 (m) of the Statutes annexed to the EIT Regulation (hereinafter referred to as the "Statutes")<sup>3</sup>;

Having regard to Decision 21/2017 of 17 November 2017 of the Governing Board of the European Institute of Innovation and Technology on adopting the amended Charter of the Internal Audit Capability of the EIT<sup>4</sup>;

Having regard to Commission Delegated Regulation (EU) 2019/715 of 18 December 2018 on the framework financial regulation for the bodies set up under the TFEU and Euratom Treaty and referred to in Article 70 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council (hereafter referred to as "Framework Financial Regulation"<sup>5</sup>), in particular Article 80 "Establishment of internal audit capability";

Having regard to Decision 21/2019 of 25 September 2019 of the Governing Board of the EIT (hereafter: 'GB') on the Financial Regulation for the EIT<sup>6</sup>;

Having regard to Decision 20/2018 of 7 June 2018 of the Governing Board of the EIT on adopting the Charter of the EIT Audit Committee<sup>7</sup>.

#### WHEREAS

- (1) The Internal Auditing Function of the EIT was established by Article 4 (1) d of the EIT Regulation. The Internal Auditing Function has been renamed to Internal Audit Capability (hereafter referred to as "IAC") by the Decision<sup>8</sup> of the Governing Board of 11 December 2014.
- (2) Article 80 of the Framework Financial Regulation ("Establishment of internal audit capability") stipulates that the purpose, authority and responsibility of the internal audit capability shall be

<sup>1</sup> OJ L 97 of 9.4.2008, p. 1.

<sup>2</sup> OJ L 347 of 20.12.2013, p. 174.

<sup>3</sup> Publication of the new EIT Regulation in the Official Journal is foreseen in May 2021: it shall enter into force on the day of its publication. It shall be applied from the day of the publication, with the exceptions indicated in Article 28 which shall apply from 1 January 2021. Latest version is available from 12 February 2021 (6062/21)

<sup>4</sup> 11541.EIT.2017.I.GB.WP

<sup>5</sup> OJ L 122, of 10.5.2019, p. 1.

<sup>6</sup> Ares(2019)6810859

<sup>7</sup> 03128.EIT.2018.I.GB51

<sup>8</sup> 01968.EIT.2014.I.GB

provided for in the internal audit charter and shall be subject to the approval of the Governing Board. The EIT Financial Regulation adopts the majority of the Framework Financial Regulation, including Article 80.

- (3) The EIT Director adopted the first Charter of the Internal Auditing Function of the EIT on 26 May 2010 (see EIT Decision No 16/2010, DG EAC file No 53). Updated versions of the Charter were adopted by Decision<sup>9</sup> of the Governing Board on 21 May 2011 and by Decision<sup>4</sup> of the Governing Board on 11 December 2014. Finally, the latest charter was adopted by Decision 21/2017 of the Governing Board on 17 November 2017.
- (4) The Charter of the Internal Audit Capability entails that it will adhere to the mandatory guidance drawn up by the Institute of Internal Auditors including the International Professional Practices Framework the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. The International Standards for the Professional Practice of Internal Auditing stipulates that the EIT's Chief Audit Executive, called Head of IAC at the EIT, must periodically review the internal audit charter and present it to senior management and the board for approval.
- (5) The Institute of Internal Auditors introduced the model internal audit activity charter. The Internal Audit Capabilities External Quality Assessment report dated 24 September 2020 recommended to "propose to the Governing Board the update of the IAC Charter, Code of Ethics, in line with the new EIT FR, EIT founding regulation, IIA Standards and recommended by IIA Templates" and to "Consider proposing to the Governing Board to include in the IAC Charter the need to issue annual IAC overall audit opinions to strengthen the Director's annual declaration of assurance within the Consolidated Annual Activity Report."
- (6) The Head of Internal Audit Capability has reviewed the Charter of the Internal Audit Capability and proposed amendments to reflect the model internal audit activity charter promulgated by the Institute of Internal Auditors.
- (7) Article 6.1 "General responsibilities" of the Charter of the Audit Committee stipulates that the EIT Audit Committee, at the request of the Internal Audit Capability, shall suggest to the GB any necessary changes to the Charter of the Internal Audit Capability. The EIT Audit Committee has reviewed the amendments requested by the EIT's Head of Internal Audit Capability and proposed that the EIT Governing Board adopts them.

#### **HAS DECIDED AS FOLLOWS:**

##### **Article 1**

The amended Charter of the EIT Internal Audit Capability, as attached in the annex, is hereby adopted.

##### **Article 2**

Decision 21/2017 of the Governing Board of 17 November 2017 on adopting the Charter of the EIT Internal Audit Capability is hereby repealed.

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<sup>9</sup> 149.EIT.2011/GB

### **Article 3**

This decision shall enter into force on the day of its signature.

Done in Budapest on 17 June 2021

Gioia Ghezzi

Chairperson of the EIT Governing Board

ANNEX: CHARTER OF THE INTERNAL AUDIT CAPABILITY OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY

## ANNEX to Decision 22/2021 of the Governing Board

### CHARTER OF THE INTERNAL AUDIT CAPABILITY OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY

#### Purpose and Mission

The purpose of the EIT's Internal Audit Capability (hereafter referred to as "IAC") is to provide independent, objective assurance and consulting services designed to add value and improve the EIT's operations.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IAC helps the EIT accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

#### Standards and other elements for the Professional Practice of Internal Auditing

The IAC will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the **Core Principles for the Professional Practice of Internal Auditing**, the **Code of Ethics**, the **International Standards for the Professional Practice of Internal Auditing**, and the **Definition of Internal Auditing**. The Head of IAC will report periodically to senior management and the Governing Board (hereafter referred to as "GB") regarding the IAC's conformance to the Code of Ethics and the Standards.

#### Authority

The Head of IAC will report functionally to the Governing Board by keeping the EIT Audit Committee informed and administratively (i.e., day-to-day operations) to the Director. To establish, maintain, and assure that the EIT's IAC has sufficient authority to fulfill its duties, the Governing Board will:

- Approve the IAC's charter.
- Approve the timely and risk-based internal audit plan.
- Approve the IAC's budget and resource plan.
- Receive communications from the Head of IAC on the IAC's performance relative to its plan and other matters.
- Approve decisions regarding the recruitment (profile, grading) and appointment and removal of the Head of IAC and assignment of staff to assist the IAC.
- Make appropriate inquiries of management and the Head of IAC to determine whether there is inappropriate scope or resource limitations.
- Repeal the IAC's Charter.

The Head of IAC will have unrestricted access to, and communicate and interact directly with, the Governing Board, the Audit Committee and the Executive Committee including in meetings without management present.

The Governing Board authorizes the IAC to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the EIT, as well as other specialized services from within or outside the EIT, in order to complete the engagement.

#### Independence and Objectivity

The Head of IAC will ensure that the IAC remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing,

and report content. If the Head of IAC determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the EIT.
- Initiating, verifying or authorizing transactions, except for operational initiation internal to the IAC.
- Directing the activities of any the EIT employee not employed by the IAC, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Head of IAC has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Head of IAC will confirm to the GB, at least annually, the organizational independence of the IAC.

The Head of IAC will disclose to the GB any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

#### Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the GB, Director, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the EIT.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the EIT's strategic objectives are appropriately identified and managed.
- The actions of the EIT's officers, managers, employees, and contractors are in compliance with the EIT's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the EIT.

- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of IAC will report annually to senior management and the Governing Board by keeping the Audit Committee informed regarding:

- The IAC's purpose, authority, and responsibility.
- The IAC's plan and performance relative to its plan.
- The IAC's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the GB.
- The IAC's annual overall audit opinions to strengthen the Director's annual declaration of assurance within the Consolidated Annual Activity Report.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the EIT.

The Head of IAC also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The IAC may perform advisory and related client service activities (e.g. consultancy), the nature and scope of which will be agreed with the Director, provided the IAC does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

### Responsibility

The Head of IAC has the responsibility to:

- Submit, at least annually, to senior management and the GB a risk-based internal audit plan for review and approval.
- Communicate to senior management and the GB the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the EIT's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the GB any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources (including in- or outsourced), the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the GB any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

- Ensure the IAC collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the IAC.
- Ensure adherence to the EIT's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the GB.
- Ensure conformance of the IAC with the Standards, with the following qualifications:
  - If the IAC is prohibited by law or regulation from conformance with certain parts of the Standards, the Head of IAC will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - If the Standards are used in conjunction with requirements issued by the EU Institutions, the Head of IAC will ensure that the IAC conforms with the Standards, even if the IAC also conforms with the more restrictive requirements of the EU.

#### Quality Assurance and Improvement Program

The IAC will maintain a quality assurance and improvement program that covers all aspects of the IAC. The program will include an evaluation of the IAC's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IAC and identify opportunities for improvement.

The Head of IAC will communicate to senior management and the GB on the IAC's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the EIT.

#### Approval/Signatures

Head of IAC Date

Chairperson of the Governing Board of the EIT Date

Director of EIT Date