

DECISION 18/2023 OF THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

ON THE CHARTER OF THE AUDIT COMMITTEE AND ON THE MEMBERS AND CHAIRPERSON OF THE EIT AUDIT COMMITTEE

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

Having regard to Regulation (EU) 2021/819 of the European Parliament and of the Council of 20 May 2021 on the European Institute of Innovation and Technology (recast)¹ (hereinafter referred to as the 'EIT Regulation'), and in particular to Article 5 paragraph (1) of the EIT Regulation and point (2) h) of Section 2 of the Statutes set out in Annex I to the EIT Regulation (hereinafter referred to as the 'Statutes of the EIT');

Having regard to Decision 21/2019 of the Governing Board of the EIT of 25 September 2019 on the Financial Regulation of the European Institute of Innovation and Technology² (hereinafter referred to as the 'GB Decision on the EIT Financial Regulation');

Having regard to Decision 18/2021 of the Governing Board of the EIT of on the Rules of procedure of the Governing Board and of the Executive Committee³, in particular Article 20 thereof;

Having regard to Decision 11/2023 of the EIT Governing Board of 12 May 2023 setting the honoraria for the members of the EIT Governing Board, its chairperson, the members of the Executive Committee, the EIT GB Rapporteurs and members of the EIT Governing Board Advisory Groups of the EIT, in particular, Article 4 thereof⁴;

Having regard to the Decision of the Governing Board of the EIT of 17 September 2014 adopting the Charter of the EIT Audit Committee⁵;

Having regard to Decision 8/2020 of the Governing Board of the EIT of 8 June 2020 on adopting the mission charter of the Internal Audit Service of the European Commission in relation to the EIT⁶;

Having regard to Decision 23/2021 of the Governing Board of the EIT of 17 June 2021 adopting the Charter of the EIT Audit Committee and on the Appointment of Chairperson of the EIT Audit Committee⁷;

Having regard to Decision 25/2021 of the Governing Board of the EIT of 17 June 2021 on adopting the EIT Concept Paper on improved EIT Audit Environment and transition of the Internal Audit Capability 2020-2022⁸;

Having regard to Decision 37/2021 of the Governing Board of the EIT of 21 September 2021 on the

¹ OJ L 189, 28.5.2021, p. 61.

² Ares(2019)6810859

³ Ares(2021)3139636 - 11/05/2021

⁴ Ares(2023)3471368

⁵ 01900.EIT.2014.1⁶ Ares(2020)3060941 - 12/06/2020

⁶ Ares(2020)3060941 - 12/06/2020

⁷ Ares(2021)3970085

⁸ Ares(2021)4020667

appointment of the 3rd member of the Audit Committee⁹;

Having regard to Decision 12/2022 of the Governing Board of the EIT of 8 April 2022 on the improved EIT audit environment and transition of the Internal Audit Capability 2022¹⁰;

Having regard to Decision 31/2022 of the Governing Board of the EIT of 4 November 2022 on the appointment of the members of the Audit Committee Advisory Group of the European Institute of Innovation and Technology¹¹;

Whereas:

- (1) Point (2) h) of Section 2 of the Statutes of the EIT stipulates that the Governing Board can establish, where appropriate, advisory groups with a defined objective, tasks and duration.
- (2) In line with the Rules of procedure of the Governing Board, the established Advisory Groups shall contribute to the work of the Governing Board and shall report to the Governing Board via the Executive Committee. The organisation, scope and mandate of such groups shall be determined by the Governing Board in separate decisions.
- (3) In order to support the Governing Board for strengthening the basis on which the Governing Board performs oversight regarding audit follow-up and to improve the quality of reporting to the Governing Board, an Audit Committee was established by the Governing Board in 2014 as advisory group to the Governing Board¹².
- (4) The Governing Board defined the Audit Committee's role, composition, responsibilities and terms of office in the Charter of the EIT Audit Committee. The EIT Governing Board adopted the current Charter of the EIT Audit Committee by its Decision 23/2021.
- (5) In line with the Charter of the Audit Committee, the Director responsible for supervising the EIT's budget implementation at Directorate-General Education and Culture (currently: Directorate C), may attend the meetings of the Audit Committee as an observer from the European Commission.
- (6) Three members of the EIT Governing Board were appointed by the Governing Board as members of the Audit Committee for a term of office running for two years.
- (7) Based on Decision 23/2021 of the Governing Board, the mandate of Martina Larkin as a Chair of the EIT Audit Committee started on 17 June 2021¹³. Pursuant to Decision 37/2021 of the Governing Board, the mandate of Razvan Nicolescu as member of the Audit Committee started on 21 September 2021¹⁴. In line with Decision 31/2022 of the Governing Board, the mandate of Pia Sandvik as member of the Audit Committee started on 4th November 2022¹⁵.
- (8) By means of Decision 12/2022, the Internal Audit Capability (IAC) function at the EIT, including independence and functional reporting to the Governing Board was abolished with date of effect 1 April 2022, after which, in line with Decision 25/2021 of the Governing Board, the IAC function was transformed into an additional capacity to monitor KICs. The Charter of the Audit Committee needs to be adapted accordingly.

⁹ Ares(2021)5902484

¹⁰ Ares(2022)2806454

¹¹ Ares(2022)7673225

¹² 01900.EIT.2014.I.GB and 01724.EIT.2014.I.GB

¹³ ARES(2021)3970241

¹⁴ ARES(2021)5902484

¹⁵ ARES(2022)7673225

- (9) Martina Larkin and Razvan Nicolescu indicated their intention to resign from their role in the EIT Audit Committee. Therefore, the Governing Board shall decide on the appointment of new members of the Audit Committee and to designate its Chairperson.

HAS DECIDED AS FOLLOWS:

Article 1

The revised Charter of the EIT Audit Committee, as attached in Annex I is hereby adopted.

Article 2

1. Maria Gabriella Colucci and Silvia Lenaerts are appointed as members of the Audit Committee for a term of office running for two years, renewable once for up to two additional years.
2. Pia Sandvik is appointed as Chair of the EIT Audit Committee.
3. The term of office of the members of the EIT Governing Board appointed as members of the Audit Committee shall automatically terminate in any of the following cases:
 - a. if his/her term of office as member of the Governing Board expires without extension,
 - b. in the event that s/he is unable to complete his/her term of office,
 - c. or because of the end of his/her term of office as member of Audit Committee.
4. The term of office of Maria Gabriella Colucci and Silvia Lenaerts, shall begin to run on 12 May 2023 and shall end on 11 May 2025.
5. Having regard to the appointments in this Article and by Decision 31/2022, the composition of the Audit Committee and the terms of office of its members are indicated in Annex II to the Decision.

Article 3

Decision 23/2021 of the Governing Board of the EIT of 17 June 2021 adopting the Charter of the EIT Audit Committee and on the Appointment of Chairperson of the EIT Audit Committee, and Decision 37/2021 of the Governing Board of the EIT of 21 September 2021 on the appointment of the 3rd member of the Audit Committee are hereby repealed.

Article 4

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

Done in Budapest, on 12 May 2023¹⁶

For the EIT

(e-signed)

Nektarios TAVERNARAKIS

Chairperson of the Governing Board

¹⁶ Adopted by means of written procedure on 12 May 2023

ANNEX I to Decision 18/2023 of the Governing Board of the EIT

Charter of the EIT Audit Committee

Text replaced:

IIA model audit committee charter text	EIT Audit Committee charter text
Organisation	EIT
Audit Committee/committee	Audit Committee (AC)
Governing Board/governing body	Governing Board (GB)
Chief executive officer (CEO)	Director
Chief financial officer (CFO)	Director
Person responsible for managing the external audit relationship	Internal Control Coordinator (ICC)
Senior management	Director
Chief Audit Executive (CAE)	Director General for Internal Audit Services (IAS) and Internal Control Coordinator (ICC)

Organizational Principles

Introduction

The Audit Committee (hereinafter: AC) plays an important role in providing oversight of the EIT's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The AC performs its role by providing independent oversight to the Governing Board (hereinafter: GB) to exercise its responsibility for steering and monitoring the activities of the EIT and the KICs, in particular, to adopt the EIT's single programming document, budget, annual accounts and balance sheet and consolidated annual activity report or appoint the Accounting Officer.

Purpose

The purpose of the AC is to provide a structured, systematic oversight of the EIT's governance, risk management and internal control practices. The AC assists the GB and management by providing advice and guidance on the adequacy of the EIT's initiatives for:

- Values and ethics.
- Governance structure.
- Risk management.
- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements and public accountability reporting.

In broad terms, the AC reviews each of the items noted above and provides the GB with independent advice and

guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

Authority

The AC charter sets out the authority of the AC to carry out the responsibilities established for it by the GB as articulated within the AC Charter.

In discharging its responsibilities, the AC will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The AC also will have unrestricted access to records, data, and reports necessary for the performance of its duties. If access to requested documents is denied, the AC will escalate the issue to the GB for resolution of the matter.

The AC is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The EIT's management and staff should cooperate with AC requests.

The AC may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

Composition of the AC

The GB will appoint 3 AC members, including its Chairperson. At least two out of the three appointed AC members shall be EIT GB members, while the third one can be external¹⁷. In addition, the Director responsible for supervising the EIT at Directorate-General Education, Youth, Sport and Culture, may attend the meetings of the AC as an observer from the European Commission. The observer from DG EAC represents the European Commission in the AC and this role may be delegated. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the AC evolve in response to regulatory, economic and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the AC in response to emerging needs.

The Chairperson of the AC

The GB will designate the chairperson of the AC. Only AC members who are also GB members are eligible to become chairperson of the AC.

Terms of Office

The term of office for an AC member is 2 years, renewable for 2 additional years. Continuance of AC members will be reviewed annually. To ensure continuity within the AC, the appointment of members should be staggered.

Consensus

The AC members will strive for a consensus. In case of disagreements, position of all members must be recorded in the minutes.

Operational principles

Communications

The AC expects that all communication with management and staff of the EIT as well as with any external assurance

¹⁷ One of the 3 AC members may be appointed considering an external candidature, provided that s/he possess sufficient knowledge of audit, or finance, or law, or governance, or risk, or control or any other relevant field.

providers will be direct, open, and complete.

Work Plan

The AC chairperson will collaborate with the Director and CAE to establish a work plan to ensure that the responsibilities of the AC are scheduled and will be carried out.

Meeting Agenda

The chair will establish agendas for AC meetings in consultation with AC members and the Director and the Internal Control Coordinator.

Information Requirements

The AC will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. The draft agenda, supporting documents and any relevant information will be provided to the AC at least one week prior to each AC meeting.

Executive Sessions

The AC will schedule and hold, if necessary, a private (bilateral) session with the Director, or the Internal Control Coordinator, or the observer of the European Commission, or the Internal Audit Service, and with any other officials that the AC may deem appropriate at each of its meetings.

Preparation and Attendance

AC members are obligated to prepare for and participate in AC meetings. The observer of the European Commission, the EIT Director and the Internal Control Coordinator shall attend the meetings of the AC. The IAS will be provided with a standing invitation to participate.

Conflict(s) of Interest and Values

AC members should adhere to the EIT's Code of Good Conduct on conflict of interest of the EIT GB Members and any values and ethics established by the EIT. The AC expects that management and staff of the EIT will adhere to the EIT Code of Good Conduct applicable to them. It is the responsibility of AC members to disclose any conflict of interest or appearance of a conflict of interest to the AC. If there is any question as to whether AC member(s) should recuse themselves from a discussion, the AC should vote to determine whether the member should recuse himself or herself.

Orientation and Training

AC members will receive formal orientation training on the purpose and mandate of the AC from its Secretariat.

Operational Procedures

Meetings

The AC will meet at least two times annually or more frequently as the AC deems necessary.

Minutes

Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at the latest two weeks after the AC meeting. The minutes of the meetings shall be distributed to the Chairman of the GB, to the European Commission observer, the Internal Control Coordinator, the Director, and the IAS representative.

Required Attendance

The Director and Internal Control Coordinator are required to attend all AC meetings, unless, when justified, the AC decides to hold private sessions without (one of) them.

Secretariat Services

The Internal Control Coordinator will facilitate and coordinate meetings as well as provide ancillary support to the AC, as time and resources permit.

Remuneration of AC Members

AC members will be remunerated and receive reimbursement for their expenses in line with provisions established by the EIT Governing Board.

Responsibilities

It is the responsibility of the AC to provide the GB with independent, objective advice on the adequacy of management's arrangements to exercise its responsibility for steering and monitoring the activities of the EIT and the KICs, in particular, to adopt the EIT's single programming document, budget, annual accounts and balance sheet and consolidated annual activity report or appoint the Accounting Office, with respect to the following aspects of the management of the EIT:

Values and Ethics

To obtain reasonable assurance with respect to the EIT's values and ethics practices, the AC may:

- Review and assess the policies, procedures, and practices established by the GB to monitor conformance with its code of conduct and ethical policies by all managers and staff of the EIT.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the EIT.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

Organizational Governance

To obtain reasonable assurance with respect to the EIT's governance process, the AC may review and provide advice on the governance process established and maintained within the EIT and the procedures in place to ensure that they are operating as intended.

Risk Management

To obtain reasonable assurance with respect to the EIT's risk management practices, the AC will:

- Annually review the EIT's risk profile.
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Director and the GB.
- Provide oversight of the adequacy of the combined assurance being provided.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

Fraud

To obtain reasonable assurance with respect to the EIT's procedures for the prevention and detection of fraud,

the AC will:

- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the entity has appropriate anti-fraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.
- Supervise the EIT's efforts to monitor the conception and implementation of sound anti-fraud strategies among beneficiaries of EIT grants.

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the EIT's controls in responding to risks within the EIT's governance, operations and information systems, the AC may:

- Consider the effectiveness of the EIT's control framework, including information technology security and control.
- Review and provide advice on the control of the EIT as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to the Director and the GB.

Compliance

The AC will review the observations and conclusions of internal and external auditors and any other assurance providers and the findings of any regulatory bodies. Furthermore, the AC may:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the process for communicating the code of conduct to the EIT's personnel and for monitoring compliance.
- Obtain regular updates from management and the EIT's legal counsel regarding compliance matters.

Oversight of Internal Auditing Function and External Auditors

Internal Auditing Function

According to Article 78 of the Framework Financial Regulation, every Union body shall have an internal auditing function that shall be performed in compliance with the relevant international standards. The internal auditing function is performed by the Commission's internal auditor (Internal Audit Service).

The EIT's internal audit function will continue to be implemented by the IAS in line with the EIT's FR¹⁸, and will include such responsibilities as:

- (a) assessing the suitability and effectiveness of internal management systems and the performance of units in implementing programmes and actions by reference to the risks associated with them"; and
- (b) assessing the efficiency and effectiveness of the internal control and audit systems applicable to

¹⁸ Ares(2019)6810859

each operation for implementation of the budget of the EIT”.

Internal Control Coordinator

The tasks of the Internal Control Coordinator would include:

- coordinating internal control activities and reporting at the EIT, including on implementation of the audit recommendations;
- coordinating audits (inputs) and liaising with external auditing bodies; and
- contributing to the financial and operational management in the area of responsibility, including procurements, implementation of contracts, payments and reporting.

External Auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the AC may:

- Monitor management's progress on action plans stemming from external audit recommendations and from observations of the discharge authority.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the AC will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

Other Responsibilities

In addition, the AC will:

- Perform other activities related to this charter as requested by the GB. In particular, advise the GB regarding the assessment of the annual activity report of the authorising officer.
- Be informed about other investigations and proceeding carried out by other bodies and relevant to the AC functions (e.g. investigations by OLAF).
- Institute and oversee special investigations as needed.
- Regularly evaluate its performance and that of its individual members.

Reporting on AC Performance

The AC will report to the GB annually, summarizing the AC's activities and recommendations. The report may be delivered during an AC meeting attended by the GB Chair or during a regularly scheduled meeting of the GB. The report should include:

- A summary of the work the AC performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing EIT.

- Details of meetings, including the number of meetings held during the relevant period and the number of meeting each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- The AC may report to the GB at any time regarding any other matter it deems of sufficient importance.

ANNEX II to Decision 18/2023 of the Governing Board of the EIT

THE COMPOSITION OF THE AUDIT COMMITTEE AND THE TERMS OF OFFICE OF ITS MEMBERS

Name	Current Function	Membership	
		From	To
Pia Sandvik	Chair	4 November 2022	3 November 2024
Gabriella Colucci	Member	12 May 2023	11 May 2025
Silvia Lenaerts	Member	12 May 2023	11 May 2025