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# Charter of the Internal Audit Capability of eu-LISA

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# Charter of the Internal Audit Capability of eu-LISA

The internal audit capability is legally defined in the Chapter 7, Article 84 of Financial Regulation of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice<sup>1</sup> (eu-LISA). The Internal Audit Capability of eu-LISA (IAC) was established by the Decision No 2015-012/01.02.2015 of the Management Board of eu-LISA. The function is represented by the Head of Internal Audit Capability.

This internal audit charter replaces the previous charter and defines the IAC's purpose, authority, and responsibility. It also establishes the IAC's position within eu-LISA, authorizes access to records, personnel, and physical properties relevant to the performance of engagements, and defines the scope of internal audit activities.

## 1. Purpose and Mission

The purpose of the Internal Audit Capability of eu-LISA (IAC) is to provide independent, objective assurance and consulting services designed to add value and improve eu-LISA'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 eu-LISA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Thereby it promotes a culture of efficient and effective management within the eu-LISA.

Assurance is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for eu-LISA. For its assurance services, the IAC will rely on risk-based planning and will provide a conclusion, and where appropriate an opinion, in each assurance audit report.

Coordination with external audit and other internal audit service providers by exchanging information and audit reports, carrying out joint risk assessment and audits is to provide optimal audit coverage and avoid duplication of efforts.

Consulting services are advisory and management-requested activities, the nature and scope of which are agreed with the Executive Director of eu-LISA. They are intended to add value and improve

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<sup>1</sup> Chapter 7, Article 84 of eu-LISA Financial Regulation says: "The Management Board or, where the constituent act allows it, the executive board may establish, with due regard to cost effectiveness and added value, an internal audit capability which shall perform its duties in compliance with the relevant international standards."

the eu-LISA's governance, risk management and control processes without IAC assuming managerial responsibility.

## 2. Standards 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 (the Standards), and the Definition of Internal Auditing. Such professional standards shall be applied in accordance with regulations applicable to the eu-LISA. In the event of discrepancies, requirements originating from EU regulations and eu-LISA decisions shall take precedence. The Head of IAC will report periodically to eu-LISA's management and the Management Board regarding the IAC's conformance to the Code of Ethics and the Standards.

## 3. Authority

The Head of IAC will report functionally to the Management Board and Executive Director and administratively (i.e. day-to-day operations) to the Executive Director. To establish, maintain, and assure that eu-LISA's IAC has sufficient authority to fulfil its duties, the Management Board and the Executive Director will:

- Approve the IAC's charter.
- Approve the 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 appointment and removal of the Head of IAC.
- Make appropriate inquiries of management and the Head of IAC to determine whether there is inappropriate scope or resource limitations.

The Head of IAC will have unrestricted access to, and communicate and interact directly with, the Management Board and the Executive Director, including private meetings without management present. The Management Board and the Executive Director authorizes the IAC to:

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

- Be informed at an early stage about the development of and changes to existing governance processes and internal controls that may substantially affect the eu-LISA's internal control system.

## 4. Independence and Objectivity

The Head of IAC will ensure that the IAC remains free from all conditions that threaten the ability of IAC 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.

IAC 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.

IAC auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, IAC 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 eu-LISA,
- Initiating or approving transactions external to the IAC,

Directing the activities of any eu-LISA 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.

IAC 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 Management Board and the Executive Director, at least annually, the organizational independence of the IAC.

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

## 5. 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 Management Board, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the eu-LISA.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of eu-LISA's strategic objectives are appropriately identified and managed,
- The actions of eu-LISA's management, employees, and contractors are in compliance with eu-LISA'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 eu-LISA,
- 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 at least annually to management and the Management Board 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 Management Board and the Executive Director,
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to eu-LISA.

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 consulting services, the nature and scope of which will be agreed with the Executive 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.

## 6. Responsibility

The Head representing the Internal Audit Capability (IAC) has the responsibility to:

- Submit, at least annually, to the Executive Director and the Management Board a risk-based internal audit plan for review approval;
- Communicate to management and the Management Board the impact of resource limitations on the internal audit plan;
- Coordinate work with the Internal Audit Service of the European Commission (IAS)<sup>2</sup> and with the European Court of Auditors (ECA) to provide eu-LISA with optimal audit coverage;
- Review and adjust the internal audit plan, as necessary, in response to changes in eu-LISA's mandate, risks, operations, programs, systems, and controls,
- Communicate to management and the Management Board 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, 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 management and the Management Board 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 Charter,
- Ensure trends and emerging issues that could impact eu-LISA are considered and communicated to management and the Management Board as appropriate,
- 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 eu-LISA's relevant policies and procedures, unless such policies and procedures conflict with the Charter. Any such conflicts will be resolved or otherwise communicated to management and the Management Board,
- Ensure conformance of the IAC with the Standards,
- Effectively and timely communicate results of audit engagements to the Executive Director and the Management Board;

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<sup>2</sup> Article 84 (3) of eu-LISA Financial Regulation reads: "The internal audit actors shall cooperate efficiently through exchanging information and audit reports and, where appropriate, establishing joint risk assessments, and carrying out joint audits."

- Formally communicate in writing to the Executive Director and the Management Board where the Head of IAC believes that the eu-LISA management has accepted an unreasonably high level of risk;
- Report any suspected fraudulent activities within the eu-LISA to European Anti-Fraud Office (OLAF)<sup>3</sup> and, as appropriate, to the Executive Director and the Management Board. Respect confidentiality and ensure protection of personal data with regard to the information gathered from the engagements performed (see eu-LISA's IAC Data Protection Notice enclosed);
- 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.

## 7. Quality Assurance and Improvement Program

The IAC will maintain a quality assurance and improvement program (QAIP) 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 IAC auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of IAC and identify opportunities for improvement.

The Head of IAC will communicate to management and the Management Board on the IAC's QAIP, 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 eu-LISA.

Head of IAC,	Executive Director,	Chairperson of the Management Board,
Adrian Bucureci	Krum Garkov	Zsolt Szolnoki
[signed]	[signed]	[signed]
Done in Tallinn,	Done in Tallinn,	Done in Tallinn,
On 27.06.2018	on 27.06.2018	on 27.06.2018

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<sup>3</sup> Article 8 of Regulation No. 883/2013 of the European Parliament and of the Council concerning investigations conducted by the European Anti-Fraud Office (OLAF).

## Data Protection Notice

### PROCESSING OF PERSONAL DATA IN THE COURSE OF IAC AUDITS

The internal audit capability is legally defined in the Chapter 7, Article 84 of Financial Regulation of the European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice<sup>4</sup> (eu-LISA). The Internal Audit Capability of eu-LISA (IAC) was established by the Decision N° 12/2015 of the Management Board of eu-LISA. The IAC is represented by the Head of IAC.

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 eu-LISA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Thereby it promotes a culture of efficient and effective management within the eu-LISA.

In the course of audits, IAC auditors may collect personal data concerning eu-LISA employees or contractors with which eu-LISA has a relationship. The purpose of the processing operations aims at providing risk-based and objective assurance, advice, and insight to eu-LISA, in the form of audit reports, notes and memos. This would mainly concern minutes of meetings, transactions in information systems and operational instructions given by or on behalf of the Agency. The conservation period of audit reports, notes and memos is 5 years from the date of communication to the Agency, that can be extended for a specific period as long as duly justified. This information is covered by Council Regulation (EC) 45/2001<sup>5</sup>. The data subject may contact the Head of IAC ([director@eulisa.europa.eu](mailto:director@eulisa.europa.eu)) to have access to the personal data which has been gathered about him/her in the course of an audit in accordance with Articles 13-19 of Regulation 45/2001. However, in certain circumstances, defined in article 20.1(e) of the Regulation this right may be restricted. The data subject will be informed of this situation as specified in Article 20.3. In this case, the Head of IAC will give an indirect access to the audit file to the Data Protection Officer of eu-LISA (DPO) to give assurance that the data has been processed correctly and whether any necessary corrections have been made. Data subjects also are entitled to have recourse at any time to eu-LISA's DPO ([dpo@eulisa.europa.eu](mailto:dpo@eulisa.europa.eu)) or directly to the European Data Protection Supervisor ([edps@edps.europa.eu](mailto:edps@edps.europa.eu)) <http://www.edps.europa.eu>.

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<sup>4</sup> Chapter 7, Article 84 of eu-LISA Financial Regulation says: The Management Board or, where the constituent act allows it, the executive board may establish, with due regard to cost effectiveness and added value, an internal audit capability which shall perform its duties in compliance with the relevant international standards.

<sup>5</sup> Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.