

Internal Audit Charter of the European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA, hereinafter referred to as "the Agency" or "eu-LISA")

The internal audit capability is legally defined in Chapter 7, Article 80 of eu-LISA's Financial Rules¹. The internal audit function of eu-LISA was established by the Decision No 2015-012 of 1/02/2015 of the Management Board of eu-LISA. On 28/09/2018, the Executive Director of eu-LISA decided² to create the Internal Audit Capability (IAC) and the function of the Head of IAC. On 13/07/2024, the Interim Executive Director of eu-LISA decided to create the Internal Audit Capability Sector (IACS) and the role of head of sector³. Currently, the IACS is managed and represented by the Head of Internal Audit Capability Sector.

This internal audit charter replaces the previous charter⁴ and aligns to the requirements of the IIA's Global Internal Audit Standards published on 9/01/2024⁵.

Purpose

The purpose of the Internal Audit Capability Sector (IACS) is to strengthen eu-LISA's ability to create, protect, and sustain value by providing the Management Board of eu-LISA (the Board) and the Executive Director with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Capability Sector enhances eu-LISA's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.

¹ Chapter 7, Article 80 of eu-LISA's Financial Rules (ref. 2109-198 REV1) stipulates: "1. *The Management Board may establish, with due regard to cost effectiveness and added value, an internal audit capability that shall perform its duties in compliance with the relevant international standards.*

The purpose, authority and responsibility of the internal audit capability shall be provided for in the internal audit charter and shall be subject to the approval of the Management Board.

The annual audit plan of an internal audit capability shall be drawn up by the Head of internal audit capability taking into consideration, inter alia, the Executive Director's assessment of risk in eu-LISA. It shall be reviewed and approved by the Management Board.

The internal audit capability shall report to the Management Board and the Executive Director on his or her findings and recommendations."

² Decision of the Executive Director of eu-LISA on the Creation of the Internal Audit Capability of eu-LISA, ref. Ares(2018)4984045 – 28/09/2018.

³ Decision of the Interim Executive Director of eu-LISA on the implementation of the new organisational structure of eu-LISA in 2024, ref. Ares(2024)5109859 – 15/07/2024.

⁴ Charter of the Internal Audit Capability of eu-LISA, ref. 2018-123, signed off on 27/06/2018.

⁵ For example, Principle 2 Maintain Objectivity, Principle 6 Authorised by the Board, Principle 7 Positioned Independently or Principle 8 Overseen by the Board.

- Ability to serve the public interest.

eu-LISA's Internal Audit Capability Sector is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The IAC is independently positioned with direct accountability to the Management Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The Agency's Internal Audit Capability Sector will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Head of Internal Audit Capability will report annually to the Management Board and the Executive Director regarding the Internal Audit Capability's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

The Management Board of eu-LISA grants the Internal Audit Capability Sector the mandate⁶ to provide the Board and Executive Director with objective assurance, advice, insight, and foresight.

The Internal Audit Capability Sector's authority is created by its direct reporting relationship to the Management Board. Such authority allows for unrestricted access to the Management Board.

The Management Board authorizes the Internal Audit Capability Sector to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the capability's objectives.
- Obtain assistance from the necessary personnel of eu-LISA and other specialized services from within or outside eu-LISA to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The Head of Internal Audit Capability Sector will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence⁷ of the Internal Audit Capability Sector (see "Mandate" section). The Head of Internal Audit Capability Sector will report functionally to the Board and administratively (for day-to-day operations) to the Executive Director. This positioning provides the organizational authority and status to

⁶ Principle 6 Authorised by the Board, Standard 6.1 Internal Audit Mandate, Standard 6.2 Internal Audit Charter, Standard 6.3 Board and Senior Management Support (the Global Internal Audit Standards).

⁷ Principle 7 Positioned Independently, Standard 7.1 Organisational Independence (the Global Internal Audit Standards).

bring matters directly to the Executive Director and escalate matters to the Board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Head of Internal Audit Capability Sector will confirm to the Board, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the Head of Internal Audit Capability Sector will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Head of Internal Audit Capability Sector will disclose to the Board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the IACS's effectiveness and ability to fulfil its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Head of Internal Audit Capability Sector, Board, and Executive Director on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization of eu-LISA.
- Significant changes in the Head of Internal Audit Capability Sector, Board, and/or Executive Director.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Management Board Oversight

To establish, maintain, and ensure that eu-LISA's Internal Audit Capability Sector has sufficient authority to fulfil its duties, the Management Board will:

- Approve the Internal Audit Capability Sector's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter periodically with the Head of Internal Audit Capability Sector to consider changes affecting the organization, such as the employment of a new Head of Internal Audit Capability Sector or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter periodically.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Capability Sector's human resources administration and budgets.
- Authorize the appointment and removal of the Head of Internal Audit Capability Sector.
- Approve the post level of the Head of Internal Audit Capability Sector in full respect of the Staff Regulations and the Conditions of Employment of other servants of the European Union.

- Receive communications from the Head of Internal Audit Capability Sector about the Internal Audit Capability Sector including its performance relative to its plan.
- Discuss with the Head of Internal Audit Capability Sector and Executive Director the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit Capability.
- Ensure the Head of Internal Audit Capability Sector has unrestricted access to and communicates and interacts directly with the Management Board, including in private meetings without senior management present.
- Discuss with the Head of Internal Audit Capability Sector and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the Head of Internal Audit Capability Sector and the Executive Director about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Collaborate with the Executive Director to determine the qualifications and competencies the organization expects in a Head of Internal Audit Capability Sector, as described in the Global Internal Audit Standards.
- Review the Head of Internal Audit Capability Sector’s performance.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of Executive Director and the Head of Internal Audit Capability Sector to determine whether scope or resource limitations are inappropriate.

Head of Internal Audit Capability Sector’s Roles and Responsibilities

Ethics and Professionalism

The Head of Internal Audit Capability will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Agency and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behaviour that is inconsistent with the eu-LISA’s ethical expectations, as described in applicable policies and procedures.

Objectivity

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

communication. If the Head of Internal Audit Capability Sector determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for eu-LISA or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any eu-LISA staff member that is not employed by the Internal Audit Capability Sector, except to the extent that such staff members have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose promptly impairments of independence or objectivity, in fact or appearance, to appropriate parties, in accordance with Agency's rules on the prevention and management of conflicts of interests.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The Head of Internal Audit Capability Sector has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the Executive Director's assessment of risk in the Agency and the input of the Board. Discuss the plan with the Board and the Executive Director and submit the plan to the Board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Board and the Executive Director.
- Review and adjust the internal audit plan, as necessary, in response to changes in eu-LISA's business, risks, operations, programs, systems, and controls.
- Communicate with the Board and the Executive Director if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.

- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Board and the Executive Director annually and for each engagement as appropriate.
- Ensure the Internal Audit Capability Sector collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact eu-LISA and communicate to the Board and Executive Director as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to eu-LISA's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Management Board and Executive Director.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services, in particular the European Court of Auditors (ECA) or the Internal Audit Service of the European Commission (IAS). If the Head of Internal Audit Capability Sector cannot achieve an appropriate level of coordination, the issue must be communicated to the Executive Director and if necessary escalated to the Management Board.

Communication with the Management Board and the Executive Director

The Head of Internal Audit Capability Sector will report periodically to the board and senior management regarding:

- The Internal Audit Capability Sector's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit Capability Sector's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Management Board.
- critical risks and recommendations that have not been addressed; and if there are significant delays in the implementation of the recommendations made in previous years.
- Results of assurance and advisory services.
- Resource requirements.

- Management's responses to risk that the Internal Audit Capability Sector determines may be unacceptable or acceptance of a risk that is beyond eu-LISA's risk appetite.

Quality Assurance and Improvement Program

The Head of Internal Audit Capability Sector will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the Internal Audit Capability's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit Capability Sector's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Head of Internal Audit Capability Sector will communicate with the Management Board and Executive Director about the Internal Audit Capability Sector's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside eu-LISA; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all eu-LISA's activities, assets, and personnel (ref. eu-LISA's Audit Universe, annex to the annual internal audit plan). The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Management Board and Executive Director on the adequacy and effectiveness of governance, risk management, and control processes for eu-LISA.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may 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 staff and contractors or other relevant parties comply with eu-LISA's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and 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.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.

- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

In addition, the Internal Audit Capability Sector supports the Executive Director to ensure that:

- An Anti-Fraud Strategy of eu-LISA is prepared, submitted to the Management Board for approval, regularly updated and properly implemented;
- Exchange of information with the European Anti-Fraud office (OLAF) and the European Public Prosecutor's Office (EPPO) is well managed by acting as contact point;
- Notifications are timely prepared and submitted to OLAF in case of suspected irregularities or fraud;
- Monitoring reports on the findings and recommendations stemming from internal or external audit reports issued by the IAS and ECA as well as from investigations by OLAF and by the EPPO, are prepared and presented to the Board at least twice a year.

Approved by the Management Board at its meeting on 20/11/2024.

Acknowledgments/Signatures

Adrian-Catalin Bucureci [signed]
Head of Internal Audit Capability Sector

20/11/2024
Date

Rene Vihalem [signed]
Management Board Chair

20/11/2024
Date

Marili Männik [signed]
Executive Director ad interim

20/11/2024
Date