



**NOTE TO THE MANAGEMENT BOARD ON INTERNAL AUDITING AND  
THE ESTABLISHMENT OF AN AUDIT COMMITTEE**

This note is aimed at clarifying the role and responsibilities of the Audit Committee and those of EFSA internal auditor.

The charter of the Audit Committee was first submitted to the Management Board for its consideration at its meeting in December 2005. It has been amended based on suggestions made by Robert Madelin in writing prior to the meeting and on the discussion held during the Management Board meeting on 15<sup>th</sup> December 2005. Following the Management Board meeting, members were given the opportunity to express additional comments, if any, by the 10<sup>th</sup> January 2006. All comments have also been considered in this revised version.

In addition, the Charter of the Internal Auditor has been attached.  
In parallel, an Audit Programme for 2006-2008 has been developed and will be shared with the Audit Committee as soon as established.

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- Annex 1 : Proposed Charter of EFSA Audit Committee
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## GENERAL PRESENTATION OF INTERNAL, EXTERNAL AUDITORS AND AUDIT COMMITTEE

- **I - ROLES OF THE INTERNAL AND EXTERNAL AUDITORS**

- 1) **Internal Auditor**

### *Regulation*

The internal auditor role is defined in EFSA Financial Regulation adopted on 13<sup>th</sup> October 2003 by the Management Board<sup>1</sup> and in the Financial Regulation applicable to the general budget of EC<sup>2</sup>.

### *Role of the Internal Auditor*

The mission of the Internal Auditor within EFSA is to give assurance to the Executive Director and to the Management Board as to the adequacy and effectiveness of the Authority's internal control systems. EFSA's internal control system comprises all internal policies and procedures, financial and otherwise, established by management in order to achieve its objectives, adherence to policies, safeguard assets and secure as far as possible the completeness and accuracy of all records and documents.

The auditor shall advise the Authority on dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the efficiency of management.

Responsibility for the implementation of audit recommendations rests fully with management under the ultimate responsibility of the Executive Director.

The Auditor follows-up the actions taken by EFSA in response to the audit recommendations.

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<sup>1</sup> Chapter 7 of Title IV of EFSA Financial Regulation and Title XII of Implementing Rules (See *Annex 2*)

<sup>2</sup> Chapter 8 (Art. 85 to Art .87) of Council Regulation 1605/2002 dated 25th June 2002

### ***Internal auditor's engagements and charter***

The Internal Auditor will prepare a Forward Audit Plan (2006-2008) and an Annual Internal Audit Plan, with the aim of covering, as far as possible, all areas of EFSA activity over the course of a three year period.

An Audit Charter will also be adopted (see proposed Audit charter in *Annex 3*) to formalise within a practical framework, the independence and mandate of the Internal Auditor, and so to avoid their arbitrary application.

Once approved by the Executive Director, draft plans and the Audit Charter will be submitted to the Management Board for endorsement in January 2006. Once the Audit Committee is set-up, the Audit Plans will be approved by the Executive Director following review by the Audit Committee.

The engagements to be performed by the Internal Auditor would mainly consist of the following audits:

- Financial audit (to determine whether the overall financial statements are stated in accordance with generally accepted accounting principles) ;
- Operational audit (a review of any part of EFSA's operating procedures and methods for the purpose of assessing efficiency, effectiveness and economy)
- Compliance audit (to determine whether EFSA respects specific procedures or rules applicable)
- Informatics audit (audit of IT and related systems)
- Integrated audit (a combination of the above audits)

## **2) Internal Audit Service and European Court of Auditors (IAS, ECA)**

### **IAS**

The Internal Audit Service (IAS) is a structure giving support and advice to the European Commission as regards to its activities across all Directorates – General, Services and Agencies (including EFSA). While the internal audit structures of the individual departments are intended to provide a service tailored to the specific needs of the authority to which they report. That is to say, IAS will perform standard audits (implementation of internal control standards for instance) whereas the Internal Auditor is aimed at performing audits more closely related to mission and tasks of EFSA (e. g: processes for EFSA scientific opinions).

### **ECA**

As per Article 248 of the Treaty, the European Court of Auditors (ECA) shall assist the European Parliament and the Council in exercising their powers of control over the implementation of the budget. In this context, the ECA shall scrutinise the accounts of the Authority. It shall draw up an annual report after the close of each financial year which shall be forwarded to the other institutions of the Community and shall be

published, together with the replies of these institutions to the observations of the Court of Auditors, in the Official Journal of the European Union.

The ECA may also, at any time, submit observations, particularly in the form of special reports, on specific questions and deliver opinions at the request of one of the other institutions of the Community.

A part of the *Internal Auditor's* tasks is to co-operate and liaise with both IAS and ECA and to follow-up the actions taken by EFSA in response to their audit recommendations.

## **II - THE AUDIT COMMITTEE**

### **1) Role of the Audit Committee**

The Audit Committee assists the Management Board by ensuring that the work of EFSA Internal Auditor, Internal Audit Service (IAS) and of the European Court of Auditors (ECA) is properly conducted and taken into account by the Management Board and the Executive Director, and, receives appropriate follow-up. It also guarantees the independence and objectivity of the Internal Auditor.

The main tasks of EFSA Audit Committee would be:

- to examine the Audit Plans and make proposals to the Internal Auditor to carry out audits where a particular need is perceived ;
- to follow-up implementation of audits and assess internal audit quality and control systems of the Authority ;
- to monitor action taken by EFSA in response to analyses, assessments and recommendations of internal and external auditors (ECA for instance) ;
- to ensure appropriate communication between itself and EFSA Management Board on the follow-up given by EFSA to the different audits, the quality of internal audit work and its own activities.

The Audit Committee is not responsible for the implementation of audit recommendations which rests fully under the ultimate responsibility of the Executive Director.

A Charter of the Audit Committee is also to be agreed in order to define the role, the composition, the organisation and the responsibilities of the Committee. (See proposal of Audit Committee Charter in *Annex I*).

## 2) **Membership and attendance**

The Audit Committee shall consist of a minimum of five members, of whom a majority should be external to EFSA; it should comprise at least three members from the Management Board. To ensure adequate liaison with the Internal Audit Service (IAS), it is proposed to have an IAS staff member nominatively appointed to sit on the Committee on a permanent basis. Furthermore, it is also proposed that members of EFSA staff sit on the Audit Committee in order to bring a broad overview on EFSA's activities and audit matters; the EFSA staff members will be nominated by the Executive Director who will make sure their nomination does not generate any conflict of interest (these two EFSA staff members will be from Legal and Science Departments). The members will be appointed for a term of two years renewable once.

Meetings of the Audit Committee will be held at least three times per year or more frequently as circumstances require (meetings will be preferably fixed back to back with the Management Board Meetings).

Secretariat of the Audit Committee will be provided by EFSA Internal Auditor and the Executive Director will normally attend meetings of the Committee.

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### ***Annexes***

Annex I : Proposed Charter of EFSA Audit Committee

Annex II : Regulation

Annex III : Internal Auditor Charter