



## FUSION FOR ENERGY

The European Joint Undertaking for ITER and the Development of Fusion Energy  
THE DIRECTOR

### MISSION CHARTER OF THE INTERNAL AUDIT CAPABILITY OF FUSION FOR ENERGY

Fusion for Energy (hereafter 'F4E') was established by Council Decision on 27 March 2007<sup>1</sup>. The need to establish its own internal audit service is mentioned in Article 5 of this decision. Article 75 of the F4E Financial Regulation of F4E, last amended on 24 November 2011<sup>2</sup>, provides that "the Commission's Internal Auditor shall exercise the same powers with respect to the Joint Undertaking as with respect to Commission's departments". Therefore, the Internal Auditor of F4E in the meaning of this article is the Internal Auditor of the European Commission, hereafter referred to as "the Internal Audit Service" or "IAS". Following this amendment, the internal audit service of F4E is re-named "Internal Audit Capability" (hereafter "IAC").

This mission charter sets out the mission, objectives, reporting lines, authority and responsibility of the IAC, and the basic working arrangements essential for the IAC to properly fulfil its role in the interests of F4E.

#### 1. MISSION AND OBJECTIVES

The mission of the IAC derives from the relevant (quality and) Internal Control Standards of F4E<sup>3</sup>.

a) The **mission** of the IAC is to provide independent, objective assurance and consulting services designed to add value and improve operations. The IAC helps F4E to accomplish its objectives by bringing a systematic, disciplined approach in order to evaluate and make recommendations for improving the effectiveness of governance, risk management and control processes<sup>4</sup>. Thereby it promotes a culture of efficient and effective management within F4E and its departments.

- **Assurance** is an objective examination of evidence for the purpose of providing an independent assessment of effectiveness of risk management, control and governance processes. For its assurance services the IAC will rely on risk-based planning.

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<sup>1</sup> 2007/198/Euratom : Council Decision establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it.

<sup>2</sup> F4E(07)-GB03-I1, resp. F4E(11)-GB21-10a : Decision of the Governing Board of F4E adopting, resp. amending, the financial regulation of F4E.

<sup>3</sup> Director's decision F4E/2009/D/416154 dated 29/09/2009, Standard 15.

<sup>4</sup> Including promoting appropriate ethics and values within the organisation, ensuring effective organisational performance management and accountability, quality assurance, effectively communicating risk and control information to appropriate areas of the organisation.

- **Consulting** services are advisory and management-requested activities, the nature and scope of which are agreed with the Director, are intended to add value and improve F4E's governance, risk management and control processes without the internal auditor assuming management responsibility.

b) The primary **objective** of the IAC is to provide F4E with **assurance** as to the effectiveness and efficiency of the risk management, control and governance processes, with special reference to the following aspects:

- Risks are appropriately and continuously identified and managed,
- Significant financial, managerial and operating information is accurate, reliable and timely,
- F4E, and where appropriate, the Community policies, procedures and applicable laws and regulations are complied with,
- F4E's objectives are achieved effectively and efficiently,
- The development and maintenance of high-quality control processes are promoted throughout F4E.

## 2. ACCOUNTABILITY AND REPORTING

The IAC is under the authority of the Director and accountable to him for the use of F4E resources.

The IAC shall report to the Director significant issues related to the audited activities of F4E, including potential improvements to those processes, in the form of individual engagements reports and of annual reports.

The Head of IAC shall report at least annually on the mission of the IAC, authority and responsibility and performance in relation to the audit plan. The annual report includes, on the basis of the nature and scope of the work of the IAC, a statement on the state of the control environment within F4E. Reporting should also include significant risk exposures and control issues, corporate governance issues, quality assurance and other matters needed or requested by F4E.

The IAC shall present its reports, once in the final status, to the Audit Committee of F4E<sup>5</sup>. At the request of the Director or of the Audit Committee, the Head of IAC may also present his/her reports to the Governing Board.

## 3. INDEPENDENCE AND OBJECTIVITY

No authority may interfere in the conduct of the IAC audits, or ask the IAC to make any alterations to the content of audit reports. The IAC shall confirm annually to the Governing Board the organisational independence of the internal audit activity<sup>6</sup>.

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<sup>5</sup> Established by decision of the Governing Board F4E(10)-GB16-19b of 10 June 2010; or any other supervisory committee established, or to be established, by the Governing Board that may take over the tasks of the Audit Committee.

Internal Auditors should maintain an unbiased and impartial mindset in regard to all engagements. In order to ensure objectivity in their opinions and avoid conflict of interest, the IAC and its staff must preserve their independence in relation to the activities and operations they review<sup>7</sup>. If their objectivity is impaired in fact or in appearance, the details of the impairment should be disclosed.

If the Head of IAC considers it necessary, he/she may address himself/herself directly to the Chair of the Audit Committee or directly to the Chair of the Governing Board.

The IAC, as part of a body possessing legal personality and responsible for managing Euratom participation in an international research project of public interest, will apply the standard arrangements concerning inter-institutional relations, with special reference to the dissemination and disclosure of information.

#### **4. RESPONSIBILITY**

The Head of IAC of F4E has responsibility to:

- Develop and establish the internal audit procedures.
- Develop and adopt an annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management and submit these plans as well as periodic updates to the Director for approval, to the Governing Board and/or the Audit Committee, for endorsement.
- Liaise with of the European Commission, EU Agencies and Community bodies, in particular in the context of existing professional networks, for the purpose of exchanging best practice.
- Coordinate audit planning with the Internal Auditor in the meaning of Article 75 of the Financial Regulation (IAS), the European Court of Auditors (ECA), and any provider of assurance to the F4E Director, where and insofar such coordination appears necessary for the purpose of overall efficiency.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by the Director. He/she may change the annual plan in the course of the year after informing the Director.
- Monitor the follow-up process of internal audit related recommendations in order to assure that these have been implemented or that the risk of not taking action has been accepted.
- Develop and maintain the quality assurance programme that covers all internal audit activities and continuously monitor its effectiveness. This programme includes periodic internal and external quality assessments and ongoing internal monitoring.
- Ensure that the resources of the IAC are deployed appropriately, and effectively to meet the requirements of the annual work plan.

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<sup>6</sup> Refer to IIA standards 1100 on Independence and Objectivity and 1110 and 1110.A1 on Organizational Independence.

<sup>7</sup> Refer to IIA standards 1120 on Individual Objectivity and 1130 on Impairments to Independence or Objectivity

- Promptly validate its findings and discuss its recommendations with the auditee. The auditee's position should be reflected in the final audit report, particularly in the case of disagreement.
- Develop a continuous dialogue with the auditee, to ensure the relevance of the findings and the quality and feasibility of the recommendations for action to be taken. This dialogue should be concluded by means of an exit meeting with the auditee and the Director or Head of Department concerned, when the main findings and recommendations are presented.
- Effectively and timely communicate results of audit engagements (assurance and consulting) to the Director.
- Formally communicate in writing to the Director and to the Audit Committee where the IAC believes that F4E management has accepted an unreasonably high level of risk.
- Report any suspected fraudulent activities within F4E to the Director, the Audit Committee and OLAF<sup>8</sup>, save in cases in which it is inappropriate.
- *On a temporary basis and within the limits of professional independence, act as the contact point for OLAF and monitor the status and progress of all related cases.*
- Respect confidentiality with regard to the information gathered from the audit and consultancy engagements performed.
- 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.
- Exercise management upon the staff recruited for any function within the IAC.

Under the authority of the Director, the IAC shall closely collaborate with the IAS for the purpose of ensuring proper audit coverage of F4E and minimising the duplication of efforts. To that end, the Head of IAC shall co-sign more detailed “work arrangements” to be agreed upon between F4E and the IAS.

## 5. AUTHORITY

The Head of IAC and his/her staff are authorised to:

- Have unrestricted access to all functions, information systems, records, property and personnel within F4E, as considered necessary for the fulfilment of their duties.
- Obtain the necessary assistance of all F4E staff and members of the Governing Board, Bureau, Executive Committee, Technical Advisory Panel, Administration and Finance Committee, Audit Committee and other body established by F4E and/or its Governing Board.

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<sup>8</sup> In compliance with Art 22bis Staff Regulation and F4E (07)-GB03-08 : Decision of the Governing Board on the accession of the European Joint Undertaking for ITER and the Development of Fusion Energy to the inter-institutional agreement of 25 May 1999 between the European Parliament, the Council and the Commission concerning internal investigations by the European Anti-Fraud Office (OLAF).

- Allocate resources, select subjects, determine the scope of work and apply the techniques required to accomplish audit objectives.
- Be informed at an early stage about the development of new systems and changes to existing systems that may substantially affect the F4E's internal control system.
- In general, be timely informed about any developments which are likely to impact on the F4E risk profile.

The Head of IAC and his/her staff are **not** authorised to:

- Perform any operational duties for F4E.
- Initiate or approve financial transactions.
- Direct the activities of F4E staff not employed within the service of the IAC, except to the extent such staff members have been appropriately assigned to auditing teams or to otherwise assist the IAC.

## 6. STANDARDS OF AUDIT PRACTICE AND ETHICS

The IAC will adhere to the Definition of Internal Auditing, the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing* as drawn up by the Institute of Internal Auditors. Such professional standards will be applied in accordance with regulations applicable to F4E staff. In the event of discrepancies, requirements originating from decisions taken by the Governing Board and EU regulations shall take precedence.

In line with those standards<sup>9</sup>, the Director of F4E shall seek the approval of this Charter by the Governing Board.

The Director

  
30 NOV. 2011

The Head of Internal Audit Capability



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<sup>9</sup> IIA Standard 1000 and PA-1000-1: "Final approval of the internal audit charter resides with the board".