



**European Investment Bank**

## **Charter for Internal Audit**

May 2007

## 1. Policy

Internal Audit is a vital component of the management of the Bank. It helps the Bank by providing independent assurances and by identifying how the Bank can be made more efficient.

Therefore, it is the policy of the European Investment Bank to maintain an internal audit function, which is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps management accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and internal control.

To this end, Internal Audit furnishes all levels of the Bank's management with assurances, analyses, agreed action plans or recommendations, counsel and information concerning the activities reviewed.

Internal Audit is responsible for the audit of the European Investment Bank Group. The provisions of this Charter apply *mutatis mutandis* for each entity.

The Head of Internal Audit reports to the Inspector General. The Inspectorate General - Internal Audit is placed under the functional responsibility of the Vice-President for Internal Audit services. The Inspector General, reports to the President and will be responsible for consultation, liaison and cooperation with the Audit Committee and external bodies.

## 2. Mission

The general objective of Internal Audit is to provide to management a reasonable assurance that the Bank is operating properly and efficiently. To that end it examines for those areas described in section 3 (Scope) that:

- the Bank's resources and assets are properly accounted for and safeguarded;
- financial, operating, accounting and other data generated within the Bank and/or used for management purposes is accurate and reliable;
- the integrity, reliability, confidentiality and continuous availability of Information systems is secured;
- the application of risk management procedures and methodologies and the functioning of internal control are effective.
- Bank's policies, procedures and manuals in relation to the above are adequate and complied with;
- the governance, operations and various functions and activities of the Bank in those areas described in Section 3 are performed efficiently and effectively.

## 3. Scope

Areas covered by Internal Audit include:

- lending activities, including the monitoring thereof;
- finance, portfolio and treasury activities;
- risk management;
- management information systems and information technology including security and control aspects of computer systems under development;
- all other activities, including human resource and administrative functions.

## 4. Procedures

- 4.1 The Head of Internal Audit prepares an annual audit plan and reports semi-annually on the execution thereof. The plan is based on a risk-assessment methodology and on consultation with, amongst others, the Secretary General, Directorates and the Audit Committee. The final plan is approved by the Management Committee, which takes into account the resources available and who may, after consultation with the Head of Internal Audit, add and delete items or decide on timing priorities.
- 4.2 In carrying out its tasks, Internal Audit:
- bases itself essentially on the relevant decisions taken by the Management Committee and the supporting documentation, obtaining JU advise when legal issues may arise;
  - tests the efficiency and effectiveness of existing internal control systems, using, where relevant, a systems-based or Internal Control Framework approach;
  - reports on its findings including all significant weaknesses, shortcomings and inefficiencies and includes agreed action plans or recommendations to improve control and working procedures;
  - maintains a centralized record on the implementation of agreed action plans and recommendations that have been agreed to by the management concerned and accepted by the President who may consult with the Management Committee thereon;
  - reports to the President and the Management Committee on actions taken on major recommendations.
- 4.3 Release of an audit report:
- The Directorates involved have the opportunity to comment on the factual accuracy, the conclusions and the proposals in the report within a given period of usually not more than 10 working days. Any disagreement with the audit should be explicitly stated.
  - Agreed actions plans should be formulated wherever feasible and normally within a period of 10 working days following the issuance of the report that incorporates the Directorates comments on the factual accuracy.
  - The audit report with agreed action plans is issued to the President, functional Vice President, Vice President responsible for the activity covered, the Secretary General, the Directorates concerned, the Audit Committee and the external auditors.
  - The Management Committee members automatically receive the summary (the full report is available on request).
  - Audit reports are discussed by the Audit Committee in the presence of the Head of Internal Audit and the staff of the Bank concerned.
- 4.4 Internal Audit may on a decision of the Management Committee carry out ad-hoc evaluations on specific issues. If necessary, the President of the Bank or the Secretary General can commission such ad-hoc evaluations, informing the Management Committee of their decision.
- 4.5 The Management Committee may ask the Head of Internal Audit to take on additional tasks, which are compatible with the provisions of this Charter. On this basis the following tasks are performed:
- Internal Audit currently monitors and reports on the implementation of the recommendations of certain other audit reports, notably those resulting from the work of the external auditors. The Management Committee can decide to alter the responsibilities within the Bank for audit follow up.
  - Internal Audit together with the services concerned implements the Internal Control Framework in the Bank.

## **5. Relations with external audit bodies**

- 5.1 The Head of Internal Audit consults with the Audit Committee during the preparation of the annual audit plan and presents the approved annual audit plan to it. He is heard regularly by, the Audit Committee on issues related to the annual audit plan and audit reports. The Secretary General is present at these discussions.
- 5.2 Internal Audit coordinates its work with the external auditors appointed by the Bank in order to avoid duplication of effort and to provide maximum coverage of activities.
- 5.3 Where relevant Internal Audit may coordinate its work with other oversight bodies such as the European Court of Auditors.

## **6. Authority**

Internal Audit is authorized unrestricted access to all relevant Bank's functions, policy statements, procedures, records and personnel as necessary for the accomplishment of its mission.

Internal Audit is a staff function and the internal auditors have no authority over any of the activities reviewed or the personnel involved.

## **7. Professional standards**

The Internal Auditors are expected to comply with the policy statements issued by the Bank, including the Code of Conduct, professional and ethical standards and the standards for the Professional Practices of Internal Auditing published by the Institute of Internal Auditors and the Information Systems Audit and Controls Association.

In particular, Internal Audit ensures that its objectivity is not adversely affected when it recommends standards of control for systems, or reviews procedures or capital projects while they are being implemented.