



FUSION FOR ENERGY

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

DECISION OF THE GOVERNING BOARD ON THE ADOPTION OF THE MISSION CHARTER OF THE INTERNAL AUDIT SERVICE OF FUSION FOR ENERGY

HAVING regard to the Council Decision (Euratom) No 198/2007 of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy (hereinafter "Fusion for Energy") and conferring advantages upon it¹ (hereinafter "the Statutes") and in particular Article 5.2 thereof, and to the Statutes annexed to that decision and in particular Article 3 thereof;

Having regard to the Financial Regulation of Fusion for Energy² adopted by the Governing Board on 22 October 2007 (hereinafter "the Financial Regulation") and in particular Articles 75 to 77 thereof;

Having regard to the Implementing Rules of the Financial Regulation³ adopted by the Governing Board on 22 October 2007 (hereinafter "the Implementing Rules") and in particular Articles 70 to 74 thereof;

Having regard to the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors⁴ and in particular Standard 1000 thereof;

Whereas:

- (1) Fusion for Energy has an Internal Audit Service (Financial Regulation Article 75); the Internal Auditor of Fusion for Energy shall report to the Director and the Governing Board on his findings and recommendations, who shall ensure that action is taken on these recommendations (Financial Regulation Article 76.2);
- (2) Fusion for Energy shall provide the Internal Auditor with a mission charter detailing his tasks, duties and obligations (Implementing Rules Article 71);
- (3) To ensure the Internal Auditor's professional independence, the Internal Audit Charter foreseen in the professional standards should be approved by a higher authority than the one to whom the Internal Auditor reports;

¹ O.J. L 90 , 30.03.2007, p. 58.

² F4E(07)-GB03-11 Adopted 22/10/2007

³ F4E(07)-GB03-12 Adopted 22/10/2007

⁴ Applicable to the Internal Auditor of Fusion for Energy by virtue of Article 75 of its Financial regulation (<http://www.theiia.org/guidance/standards-and-guidance/ippf/standards>)

THE GOVERNING BOARD OF FUSION FOR ENERGY HAS ADOPTED THIS DECISION:

Article 1

The Governing Board of Fusion for Energy adopts the Mission Charter of the Internal Audit Service of Fusion for Energy, which is attached to this decision.

Article 2

This Decision shall have immediate effect.

Done at Barcelona, 27th November 2009

For the Governing Board



Carlos Varandas

Chair of the Governing Board

ANNEX

**MISSION CHARTER OF THE INTERNAL AUDIT SERVICE
OF FUSION FOR ENERGY**

Fusion for Energy (hereafter 'F4E') was established by Council Decision on 27 March 2007⁵. The need to establish its own internal audit service is mentioned in Article 5 of the founding decision, Article 75 of the F4E Financial Regulation⁶. Article 70 of the Implementing rules⁷ of the Financial Regulation provides that the Director of F4E shall appoint the internal auditor and shall determine, in accordance with its specific features and its requirements, the scope of the mission of the internal auditor and shall lay down in detail the objectives and procedures for the exercise of the internal audit service with due respect for international internal audit standards.

This mission charter sets out the mission, objectives, reporting and working arrangements essential to the proper fulfilment of the Internal Auditor's role in accordance with Article 70 of the Implementing rules of the Financial Regulation.

For the sake of this document the Internal Auditor shall be referred to as the IA.

1. MISSION AND OBJECTIVES

The **mission** of the Internal Auditor is to provide independent, objective assurance and consulting services designed to add value and improve operations. The IA 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 processes⁸. 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 IA will rely on risk-based planning.

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.

⁵ 2007/198/Euratom : Council Decision establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it

⁶ F4E(07)-GB03-I1 : Decision of the Governing Board of the European Joint Undertaking for ITER and the Development of Fusion Energy adopting the financial regulation

⁷ F4E(08)-GB06-06a : Decision of the Governing Board of the European Joint Undertaking for ITER and the Development of Fusion Energy adopting the implementing rules of the financial regulation. Refers to IIA Standards 2110-2120-2130.

⁸ 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.

The primary **objective** of the IA 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 IA is under the authority of the Director.

The IA shall report to the Director, Governing Board and/or to any other relative supervisory committee established for that purpose :

- significant issues related to the audited activities of F4E, including potential improvements to those processes.
- On the basis of the nature and scope of the work of the IA, expresses annually, an opinion on the state of the control environment within F4E.
- at least annually on the mission of the IA, authority and responsibility and performance in relation to the annual audit plan (AAP). Reporting should also include significant risk exposures and control issues, corporate governance issues, quality assurance and other matters needed or requested by the F4E.

3. INDEPENDENCE AND OBJECTIVITY

No authority may interfere in the conduct of the IA audits or ask the IA to make any alterations to the content of audit reports. The IA shall confirm annually to the Governing Board the organisational independence of the internal audit activity⁹.

In order to ensure objectivity in their opinions and avoid conflict of interest, the IA and internal audit related staff must preserve their independence in relation to the activities

⁹ Refer to IIA standards 1100 on Independence and Objectivity and 1110 and 1110.A1 on Organizational Independence.

and operations they review¹⁰. If their objectivity is impaired in fact or in appearance, the details of the impairment should be disclosed.

If the Internal Auditor considers it necessary, he/she may address himself/herself directly to the Chair of the Governing Board.

The IA, 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 Internal Auditor 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, the Governing Board and/or to any other relative supervisory committee established for that purpose, 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 European Court of Auditors (ECA).
- 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 and/or any other relative supervisory committee established for that purpose.
- 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 IA are deployed appropriately, and effectively to meet the requirements of the annual work plan.

¹⁰ 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 and/or to any other relative supervisory committee established for that purpose
- Formally communicate in writing to the Director and or to any other relative supervisory committee established for that purpose where the IA believes that F4E management has accepted an unreasonably high level of risk.
- Report any suspected fraudulent activities within F4E to the Director and OLAF¹¹ and, as appropriate, to any other relative supervisory committee established for that purpose. 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 service of the Internal Auditor.

5. AUTHORITY

The IA 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, Executive Committee, Technical Advisory Panel, and other body established by F4E and/or its Governing Board.

¹¹ 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.

The Internal Auditor of F4E is **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 IA, except to the extent such staff members have been appropriately assigned to auditing teams or to otherwise assist the IA.

6. STANDARDS OF AUDIT PRACTICE AND ETHICS

The IA 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.
