



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

## **AUDIT CHARTER FOR THE EUROSYSTEM/ESCB AND THE SINGLE SUPERVISORY MECHANISM**

With this Audit Charter, the Governing Council of the European Central Bank (ECB) defines the purpose, authority and responsibility of the Internal Auditors Committee (IAC) and its contribution to the governance of the Eurosystem, the European System of Central Banks (ESCB) and the Single Supervisory Mechanism (SSM).

The scope of the IAC audit work covers the performance of the Eurosystem/ESCB and SSM tasks and activities as defined in the Statute of the ESCB and the ECB and in Council Regulation (EU) No 1024/2013<sup>1</sup>, including their enabling processes and risks associated with them, and/or activities decided by the ECB Executive Board, Governing Council or General Council, hereafter referred to as “ECB decision-making bodies”. The IAC regularly convenes in three compositions to perform its tasks, in Eurosystem composition, ESCB composition and as IAC in SSM composition, hereafter referred to as “Eurosystem, ESCB and/or SSM committee”.

### **1. Objective and role**

The IAC is the internal audit function for the Eurosystem/ESCB and the SSM. It is composed, in case of the IAC in Eurosystem/ESCB composition, of the internal audit experts of the National Central Banks and of the ECB (CBs) and, in case of the IAC in SSM composition, of the internal audit experts of the CBs as well as of the National Competent Authorities on Banking Supervision (NCAs)<sup>2</sup>. Its members, as a collective body, fulfil the role of the Chief Audit Executive (CAE) of the Eurosystem/ESCB and of the SSM respectively. Therefore the appointed IAC members shall in principle be the CAEs of their respective CBs/NCAs and, in case of the IAC in Eurosystem/ESCB composition, as appropriate, their appointed deputies.

The objective of the IAC is to act as the third, independent line of defence within the Eurosystem/ESCB governance framework. It is the responsibility of the Eurosystem/ESCB/SSM Committees and of CBs’ and NCAs’ operational management to establish appropriate systems of internal controls. Thus, operational management acts as the first line of defence. The risk management,

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<sup>1</sup> Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

<sup>2</sup> ‘National competent authority’ means a national competent authority designated by a participating Member State in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ( 1 ) and Directive 2013/36/EU (cf. Council Regulation (EU) No 1024/2013).

control, compliance and oversight functions established and deployed by management represent the second line.

The IAC provides independent, objective assurance and consulting services designed to add value and to improve the performance of Eurosystem/ESCB and SSM tasks and activities. In doing so, it assists the Eurosystem/ESCB and the SSM in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The IAC reports to the ECB decision-making bodies and, where appropriate, to the Supervisory Board.

## **2. Organisation**

All CBs and NCAs shall maintain an internal audit function within the organisation that is positioned to exhibit the highest level of independence and objectivity. Each of these internal audit functions shall have adequate resources to fulfil its responsibilities in line with this Audit Charter.

The IAC audit assurance is based on the consolidation and analysis of audits performed in the CBs/NCAs, the IAC audit work, and the work performed by dedicated IAC teams. Each IAC member assumes full responsibility for the management, performance and independent reporting of its respective parts of the IAC audit work. The IAC is responsible for planning, structuring, performing, coordinating and supervising the audit work at Eurosystem/ESCB and SSM level. Through joint audit work, the IAC fosters consistency and convergence of the audit functions of the CBs/NCAs.

## **3. Independence and objectivity**

The IAC and each internal audit function shall remain free from interference, including in matters of audit selection, scope, procedures, frequency, timing, and the content of its reports to permit and maintain the necessary independent and objective attitude. To ensure its independence the IAC performs its tasks under the direct responsibility of the ECB decision-making bodies.

Neither the IAC nor the internal audit functions shall have authority over, or direct responsibility for the activities audited and shall avoid conflicts of interest in performing their tasks.

Each internal audit function shall without delay report any impairment to its independence or objectivity to the IAC and shall annually confirm its organisational independence to the IAC. Impairments to the independence or objectivity of the IAC or of any internal audit function shall be reported to the ECB decision-making bodies and, where appropriate, to the Supervisory Board.

#### **4. Authority**

The IAC shall have access to all auditee personnel, records, information, systems and property as deemed necessary to carry out its responsibilities. In this context, the IAC may also require ongoing access to information systems and data. All requested information is to be provided in a truthful and complete manner within a reasonable period of time. The IAC shall respect the value and ownership of information it receives and shall not disclose information without appropriate authority unless there is a legal or professional obligation to do so. All of the above shall also apply for each internal audit function within their respective CB/NCA.

The IAC shall inform the ECB decision-making bodies and, where appropriate, the Supervisory Board of any attempt to hinder it or any of the internal audit functions in the performance of its duties.

#### **5. Responsibilities**

The responsibilities of the IAC are to:

- define within the framework of this Audit Charter the operational principles for the performance of its work in an Internal Audit Manual which is binding for all CBs and as related to the SSM, all NCAs;
- prepare the Eurosystem/ESCB and SSM audit plan, using a risk methodology, for approval by the ECB decision-making bodies and, as concerns SSM tasks and activities, for prior endorsement by the Supervisory Board. The Eurosystem/ESCB/SSM Committees and the Supervisory Board are consulted during the preparation of the plan and receive the approved plan for information. The Eurosystem/ESCB and SSM audit plan may be subject to review and modification;
- implement the Eurosystem/ESCB and SSM audit plan by conducting assurance and consulting activities as well as investigations;
- communicate the results of the assurance and consulting activities as well as of the investigations as appropriate to the ECB decision-making bodies, to the Eurosystem/ESCB/SSM Committees concerned and, as concerns SSM tasks and activities, to the Supervisory Board;
- monitor, assess and report on the implementation status of audit recommendations to the ECB decision-making bodies, to the Eurosystem/ESCB/SSM Committees concerned and, as concerns SSM tasks and activities, to the Supervisory Board;
- define common standards for the audit work in the Eurosystem/ESCB and SSM, and exchange best practices and technical expertise within the audit community; and

- report periodically to the ECB decision-making bodies and, where appropriate, to the Supervisory Board on the fulfilment of the Eurosystem/ESCB and SSM audit plan and other activities.

The IAC may undertake ad-hoc audits and other activities authorised or requested by the ECB decision-making bodies. The IAC may exceptionally launch such ad-hoc engagements at its own initiative and inform the ECB decision-making bodies, and the Supervisory Board as appropriate, thereon without undue delay.

## **6. Proficiency and due professional care**

The IAC and the internal audit functions abide by the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and the IIA's Code of Ethics. They shall perform their tasks with proficiency and due professional care. In doing so, the internal audit functions shall ensure that they possess and develop the skills and knowledge necessary for the performance of their responsibilities.

The IAC shall support the internal audit functions through the exchange of expertise, training and development of auditors.

## **7. Relationship between IAC and Audit Committee**

Please refer to the [Audit Committee mandate](#) .

## **8. Review of this Charter**

The IAC shall review this Audit Charter at least once every three years and report thereon to the ECB decision-making bodies and the Supervisory Board.

## **9. Publication of this Charter**

This Audit Charter shall be published on each CB's and NCA's website.