

# ECB Audit Charter

(effective as of 3 May 2016)

In this Audit Charter, the Executive Board of the European Central Bank (ECB) defines the purpose, authority and responsibility of the ECB's Directorate Internal Audit (D/IA) and specifies D/IA's contribution to the corporate governance of the ECB.

D/IA provides independent and objective assurance and consulting services, which are designed to improve and add value to the ECB's operations, activities and processes. In doing so, it helps the ECB to accomplish its objectives by adopting a systematic, disciplined approach to evaluating and improving the effectiveness and efficiency of risk management, control and governance processes. All of the ECB's operations, activities and processes may be subject to internal auditing.

D/IA acts independently and is the third line of defence within the ECB's governance framework. The ECB's operational management, which is responsible for establishing systems of internal controls, is the first line of defence. The ECB's risk management, control, compliance and oversight functions represent the second line of defence.

In addition to these, D/IA reviews the Eurosystem's tasks and activities (joint components) in accordance with the [Audit Charter for the Eurosystem/ESCB and the Single Supervisory Mechanism \(SSM\)](#). D/IA also implements the Eurosystem/ESCB/SSM audit plan by coordinating the internal auditing of Eurosystem/ESCB/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 the risks associated with these processes, and/or activities decided upon by the Executive Board, Governing Council or General Council (hereafter referred to as the "ECB's decision-making bodies"). This includes contributions to the development and harmonisation of audit methods and standards.

## 1 Independence and objectivity

To ensure its independence, D/IA reports directly to the President of the ECB. Neither D/IA nor individual internal auditors have authority over, or direct responsibility for, the activities audited, and internal auditors must avoid conflicts of interest in performing their tasks. Impairments to the independence or objectivity of D/IA or of any individual auditor are to be reported to the appropriate level of management within the ECB and/or to the ECB's decision-making bodies. D/IA

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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 (OJ L 287, 29.10.2013, pp. 63-89).

confirms its organisational independence annually in a report to the Executive Board and the Internal Auditors Committee.

## 2 Proficiency and due professional care

D/IA and each individual auditor abide by the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, including its Code of Ethics.

D/IA performs its tasks with proficiency and due professional care. It ensures that it collectively possesses and maintains the skills and knowledge necessary to perform its responsibilities.

## 3 Responsibilities

D/IA performs audit engagements as specified in the ECB's audit plan, as approved by the Executive Board.

The audit plan may be subject to modification. D/IA may undertake ad hoc audits and other activities authorised or requested by the Executive Board, the President and/or the Vice-President. Moreover, it may exceptionally launch ad hoc engagements on its own initiative, provided it informs the Executive Board of these without undue delay.

D/IA:

1. prepares the ECB's audit plan, using a risk-based methodology, for approval by the Executive Board; the approved plan is communicated to senior management and may be subject to review and modification;
2. implements the ECB's audit plan by conducting assurance and consultancy activities as well as investigations;
3. communicates the results of assurance and consultancy activities as well as investigations to the ECB's Executive Board and, as appropriate, to the business areas concerned;
4. reports annually to the Executive Board on the fulfilment of the ECB's audit plan and other relevant activities;
5. monitors, assesses and reports to the Executive Board and, as appropriate, to the business areas concerned, on the implementation status of audit recommendations;
6. coordinates the ECB's interaction with the European Court of Auditors, the ECB's external auditors, other auditing bodies and the audit community;
7. advises on sound governance and the prevention of fraud, corruption and other illegal activities.

The Director Internal Audit, within the framework of this Audit Charter, defines the operational principles for the performance of D/IA in the Internal Audit Manual.

#### 4 Access to information

D/IA has access to all personnel, records, information, systems and property deemed necessary to carry out its responsibilities. All requested information is to be provided in a truthful and complete manner within a reasonable period of time. In this respect, D/IA may also require ongoing (read-only) access to information systems and data. D/IA immediately informs the Executive Board and the Internal Auditors Committee of any attempt to hinder the performance of its duties.

D/IA respects the value and ownership of information it receives and does not disclose information without appropriate authorisation, unless there is a legal or professional obligation to do so.

#### 5 Incident reporting

ECB business areas inform D/IA without delay of any major or significant incident observed. In this respect, D/IA may also require permanent (read-only) access to incident and change databases.

#### 6 Relationship with the Audit Committee

See the [Audit Committee mandate](#).

#### 7 Quality assurance

To ensure and improve the quality of its services, D/IA maintains a quality assurance and improvement programme, consisting of ongoing and periodic reviews as well as periodic internal and external quality assessments.

#### 8 Administrative inquiries

Under the provisions of Administrative Circular 01/2006 on internal administrative inquiries, D/IA conducts investigative activities and administrative inquiries as required, in which the Director Internal Audit acts as Lead Inquirer.

To safeguard its objectivity in these tasks, D/IA ensures the organisational separation of administrative inquiries from activities related to the provision of assurance.

## Audit findings: implementation of action plans

Business areas implement action plans to address audit findings in line with the Executive Board's decision<sup>2</sup> on this matter, the main aspects of which are listed below.

- Business areas implement actions to address audit findings within one year of the Executive Board reaching a decision on the action.
- Business areas use key performance indicators to measure the implementation of their action plans and report on these indicators twice a year.
- If D/IA disagrees with an action plan and/or the committed implementation date proposed by a business area, the issue is discussed by the Executive Board. D/IA and the responsible business area head may be invited to attend the discussion.
- Business areas, in coordination with D/IA, proactively seek Executive Board approval for the revision or reprioritisation of a previously committed action plan before defaulting on its implementation.

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<sup>2</sup> Summary of the proceedings of the 543rd Executive Board meeting of 11 September 2007, agenda item 14.