



## Internal audit policy (charter)

**PO.INTAU.00001-004**

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**DOCUMENT CONTROL SHEET****Log of issues**

Issue	Issue date	Change description
001	12/05/2010	First issue, Migration of E.Y001
002	10/10/2011	Second issue. Implementation of actions as per: - IFACI audit report on June 2011 - Process assessment report on June 2011
003	01/04/2014	Third issue. - Revision of the policy in line with the new EASA Financial Regulation (MB Decision 14/2013) articles 47, 82, 83 and 84. - Change in identifier: PO.INTAU.00020 replaced by PO.INTAU.00001
004	01/09/2014	Migration of Quality documents in compliance with Convergence project: no change to the content, only layout (ie. EASA logo and EU logo in footer).



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This document defines the policy for conducting internal audits within the European Aviation Safety Agency taking into account the requirements led in the EASA Financial Regulation as adopted by the Management Board<sup>1</sup>. Internal Audits are carried out under the responsibility and co-ordination of the Internal Audit and Quality Department (which is also known as the Internal Audit Capability). The Head of the Internal Audit and Quality Department (also called Head of Internal Audit Capability) is responsible for leading the audit activity and reports directly to the Executive Director.

This Policy is approved by the Management Board.

## 1. Mission and objectives

Internal auditing is an independent, objective assurance and consulting activity designed to add value to improve the operations of the European Aviation Safety Agency. It helps the Agency accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process<sup>2</sup>.

The mission of the Internal Audit Capability (IAC) is to audit the systems and processes that exist within the Agency in order to assess their effectiveness and, more generally, the performance of the Agency's departments in implementing policies, programmes and actions with a view to ensuring continuous compliance with applicable requirements and bringing about continuous improvement.

The objective of internal auditing is to help the Agency, by means of its opinions, advice and recommendations:

- to control risks;
- to improve the efficiency and effectiveness of operations and to ensure value for money in the use of the Agency's resources through assurance and consultancy engagements;
- to ensure the conformity and compliance of the EASA Integrated Management System in accordance with the Agency's Management Standards<sup>3</sup>;
- to ensure the effective and efficient implementation of processes, including compliance with rules and regulations;
- to produce accurate and reliable accounting and management information;
- to safeguard assets;
- to take actions and to identify opportunities for continual improvement;
- to provide confidence to stakeholders and interested parties;
- to provide timely information and value adding recommendations.

In order to perform its mission properly, the IAC is organised in accordance with generally recognised principles and international standards governing internal audit (Institute of Internal Auditors). Overall, the IAC will seek to ensure that audit efforts are aligned with the strategic direction of the Agency and it is positioned as a valued partner, ready to meet the changing needs and requirements of the organisation.

<sup>1</sup> MB-Decision 14/2013 of 12 December 2013 adopting the revised Financial Regulation of the Agency

<sup>2</sup> Based on the definition approved by the Institute of Internal Audit - June 2007 ([www.theiia.org](http://www.theiia.org))

<sup>3</sup> EASA Management standards (LI.IMS.0003)





## 2. Independence

The IAC shall remain independent of all other functions of the Agency. The auditors shall have no direct operational responsibilities or authority over any Agency activity. No authority may interfere in the conduct of audit/consulting engagements or ask the auditors to make any alterations to the content of audit/consulting reports which do not correspond to the findings and proposals made during the audit/consulting engagements and after the validation procedure with the auditees. In addition, formal statement of Independence/non-Conflict of Interest is given by the auditor(s) for each audit/consulting engagement during the planning phase.

### Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

## 3. Policy

The Agency supports the IAC as an independent and professional department to review and evaluate the organisation's processes and controls. The primary objective of the internal audit function is to assist the Executive Director and management in the effective discharge of their responsibilities. To this end, the IAC furnishes them with impartial objective analyses, recommendations, counsel and information concerning the activities reviewed.

## 4. Audit scope

The auditors may adopt any audit approach they deem necessary in any area of the Agency's work, covering all aspects of internal control (including risk management and governance), quality assurance and EASA management standards.

It includes, in particular:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the compliance of the Agency's quality management system with the EASA management standards adopted by the Management Board.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Reviewing specific operations at the request of the Executive Director.
- Monitoring and evaluating the effectiveness of the organisation's risk management system.
- Ensuring appropriate coordination with the Internal Audit Service of the Commission and the European Court of Auditors.





## 5. Operating methods

### 5.1 – Audit approach

#### \* *Programming of audits*

At the end of each year, the Head of the Internal Audit & Quality department shall submit to the Executive Director an annual audit programme for the following year. The annual audit programme is approved by the Executive Director. Once approved by the Executive Director, it is submitted to the Management Board for its review and approval. The annual audit programme process is described in detail within the procedure PR.INTAU.00002.

#### \* *Assurance engagements*

Internal audits will involve a continuous validation process with the auditees. An audit should be an occasion to engage in a constructive dialogue between auditor and auditee to the benefit of the Agency. The dialogue between the auditor and the auditee is fundamental to the relevance of the findings and to the quality and feasibility of the recommendations for action to be taken. This dialogue should be concluded by means of an exit meeting if possible with the responsible person of the unit audited, where the main findings and recommendations are presented. The purpose of this approach is to promote a common awareness of the current situation and of solutions needed to prevent and resolve problems and their root causes in addition to continuously contributing towards an efficient organisation. It is in this framework that internal audits will be performed. The audit process is described in detail within the procedure PR.INTAU.00002.

#### \* *Consultancy engagements and ad hoc assignments*

Assurance engagements are typically based on the approved annual audit programme while consultancy engagements consist of other services that management may request. Where management requests highlight the presence of control weaknesses in particular areas, the in-built flexibility of the audit planning allows for adjustments in the annual audit programme. These consulting engagement objectives must be consistent with the overall values and goals of the organization. In the case where a consultancy engagement is requested during the annual planning process, such engagements are included in the annual audit programme. It is paramount to note that if there is a conflict between consultancy services and assurance services, the auditor will always assume the position of assurance provider. Consultancy engagements only commence when the terms of engagement have been specified and agreed between the Executive Director and the Head of IAC.

#### \* *Audit follow-up*

Each audit will be considered as closed, once the final report has been issued and a corrective action plan has been received from the auditees. The Internal Audit & Quality department shall ensure that proposed solutions are appropriate to eliminate not only the problem, but also its root cause. The audit follow-up process is described in detail within the procedure PR.INTAU.00002.

#### \* *Activity report*

Twice a year the Head of IAC reports to the Executive Director, and to Senior Management, on the work performed and the main conclusions of the audits during the Management Review.





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Once a year, the Head of IAC reports also to the Management Board through the Annual General Report i.a.w the EASA Financial Regulation's requirements.

*\* Errors and Omissions*

If a final communication contains a significant error or omission, the Head of IAC must communicate corrected information to all parties who received the original communication.

*\* Guest auditor*

To support an auditor of the Internal Audit & Quality department, it can be decided to call for a "guest auditor" having a specific competence (e.g: IT, financial,...). The "guest auditor" is nominated, as audit team member only, with agreement of his/her hierarchical superior and the Executive Director. Auditees are informed accordingly during the planning phase (i.e notification). The "guest auditor" shall fulfil the objectives of independence, objective and non-conflict of interest as per Chapter 2 of this Policy.

*\* Fraud awareness*

In case of fraud awareness or susceptible fraud the auditors shall report to the Head of IAC who will report to the Executive Director and decide on the opportunity to report to OLAF (European Anti-Fraud Office).

## 5.2 – Conditions in which audits are conducted

The auditors shall be granted access to all the information required for the proper performance of their duties. Authority is granted for full, free and unrestricted access to any and all of the Agency's records, physical properties, and personnel relevant to any function under review. Management shall ensure availability of staff being audited to ensure the proper function of the audit process. Documents and information given to Internal Auditors will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

## 5.3 – Control of access to documentation (engagement records)

The Head of IAC controls access to engagement records. The head of IAC should consult with senior Management and/or legal counsel prior to releasing such records to external parties, as appropriate and i.a.w EASA Financial Regulation. When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

## 6. Audit Standards and Ethical Guidelines

Audit professionals adhere to the 'International Standards for the Professional Practice of Internal Auditing' (IPPF) and the 'Code of Ethics,' each of which is promulgated by the Institute of Internal Auditors ([www.theiia.org](http://www.theiia.org)). Audit professionals also adhere to the Agency's 'Code of Conduct for EASA staff' (PO.HR.00180) and the IIA Code of Ethics at all times.

## 7. External Assessment

In addition to the annual self-assessment, the IAC ensures its certification against the IPPF standards. This certification is performed by an external body recognised by the Institute of Internal Auditors (IIA) and designed to assess the continual improvement of the effectiveness and efficiency of the IAC.

