



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

EUROSYSTEM/ESCB AUDIT CHARTER

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 and the European System of Central Banks (ESCB).

The scope of the IAC audit work covers the performance of the Eurosystem/ESCB tasks and activities as defined in the Statute of the ESCB and the ECB, 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”.

1. Objective and role

The IAC is the internal audit function for the Eurosystem/ESCB. It is composed of the internal audit experts of the National Central Banks and of the ECB (CBs) and its members fulfil the role of the Chief Audit Executive (CAE) of the Eurosystem/ESCB as a collective body. Therefore the IAC members, appointed by their respective Governor/the ECB Executive Board, shall in principle be the CAEs of their respective CB and, 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 Committees and of CBs’ operational management to establish appropriate systems of internal controls. Thus, operational management acts as the first line of defence. The risk management, 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 tasks and activities. In doing so, it assists the Eurosystem/ESCB 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, as appropriate.

2. Organisation

All CBs shall maintain an internal audit function within the organisation that is positioned to exhibit the highest level of independence and objectivity. Each CB internal audit function 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, 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 level. Through joint audit work, the IAC fosters consistency and convergence of the audit functions of the CBs.

3. Independence and objectivity

The IAC and each CB 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 CB 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 CB 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 CB internal audit function shall be reported to the ECB decision making bodies.

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 CB internal audit function within their respective CB.

The IAC shall inform the ECB decision making bodies of any attempt to hinder it or any of the CB 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;
- prepare the Eurosystem/ESCB audit plan using a risk methodology for approval by the ECB decision making bodies. The approved plan is communicated to all Eurosystem/ESCB Committees and may be subject to review and modification;
- implement the Eurosystem/ESCB 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 Eurosystem/ESCB Committees concerned and to the ECB decision making bodies;
- monitor, assess and report on the implementation status of audit recommendations to the Eurosystem/ESCB Committees concerned and to the ECB decision making bodies;
- define common standards for the audit work in the Eurosystem/ESCB, and exchange best practices and technical expertise within the audit community; and
- report periodically to the ECB decision making bodies on the fulfilment of the Eurosystem/ESCB 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 thereon without undue delay.

6. Proficiency and due professional care

The IAC and the CB 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 CB 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 CB 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 the Eurosystem/ESCB Audit Charter at least once every three years and report thereon to the ECB decision making bodies.

9. Publication of this Charter

The Eurosystem/ESCB Audit Charter shall be published on each CB's website.