



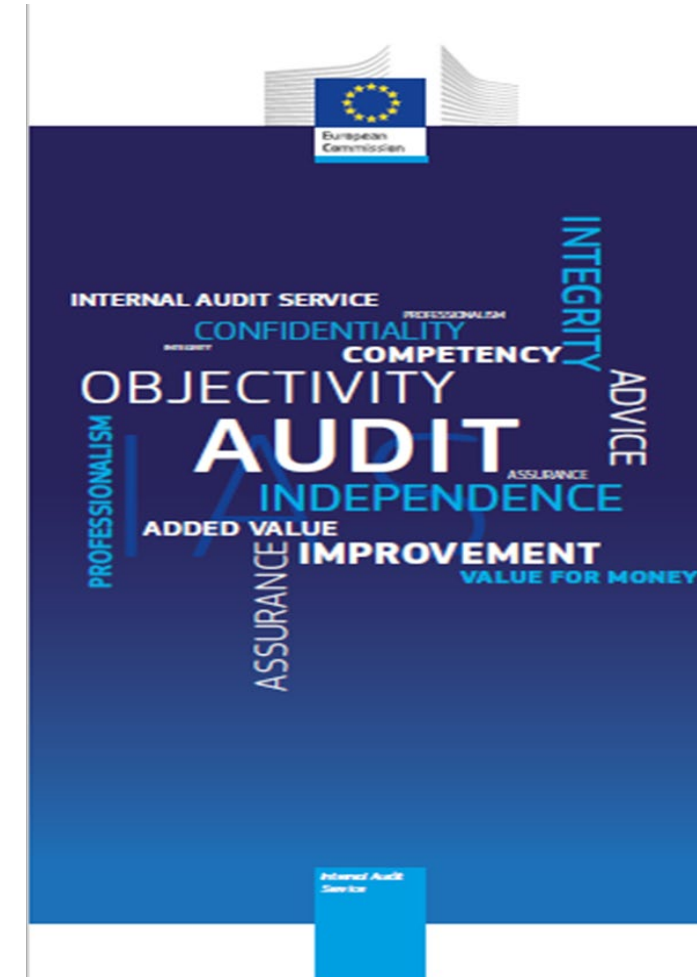
How internal audit can assist its stakeholders to achieve their objectives

Agnieszka Kazmierczak, Director-General and Internal Auditor,
European Commission

IAS overview, its role and independence

IAS Overview

- A Directorate–General (DG) of the Commission
 - Created in 2000 in the context of the administrative reform of the Commission
 - Headed by the Internal Auditor of the Commission
 - Reporting and accountable functionally to the Audit Progress Committee (APC)
 - In the portfolio of Commissioner Piotr SERAFIN, who chairs the APC
 - The IAS is independent as regards **the audit plan** and **the conduct of its engagements**
 - 104 audited entities:
 - 51 DGs/Services and Executive Agencies of the Commission (+ SG.Reform)
 - 50 (+2 in 2025) autonomous entities: EU decentralised agencies, EEAS, EDPS, Jus, EPF, to which it reports outside the scope of the Commission’s APC
 - 148 staff, 73,84% certified internal auditors
 - Different mandate from that of ECA (see separate point)
- **The IAS provides independent, risk based and objective assurance, advice, insight and foresight**
- **And as such, supports the achievement of the objectives of the Commission**



IAS Role

Financial Regulation – Art. 118.1

The internal auditor shall advise his or her Union institution on dealing with **risks**, by issuing independent opinions on the **quality of management and control systems** and by issuing recommendations for improving the conditions of **implementation of operations and promoting sound financial management**.

The internal auditor shall in particular be responsible for:

- (a) assessing the suitability and effectiveness of internal management systems and the performance of departments in implementing policies, programmes and actions by reference to the risks associated with them;
- (b) assessing the efficiency and effectiveness of the internal control and audit systems applicable to each budget implementation operation.

Global Internal Audit Standards

- the purpose of internal audit is to strengthen the organisation's ability to create, protect, and sustain value.
- provide the Institution with independent, risk-based, and objective assurance, advice, insight, and foresight
- perform an independent assessment of the effectiveness of governance, risk management, and control processes for operations, activities and financial transactions

IAS independence

Financial Regulation

- The internal auditor shall **enjoy complete independence** in the conduct of the audits.
- Special rules applicable to the internal auditor shall be laid down [...] as to guarantee that the internal auditor is totally independent in the performance of his or her duties, and to establish the internal auditor's responsibility.
- The internal auditor **shall adopt the work programme** and shall submit it to the Union institution concerned.

Global Internal Audit Standards

The internal audit function is most effective when it is independently positioned with direct accountability to the highest level of governance in an organisation and performed by competent auditors.

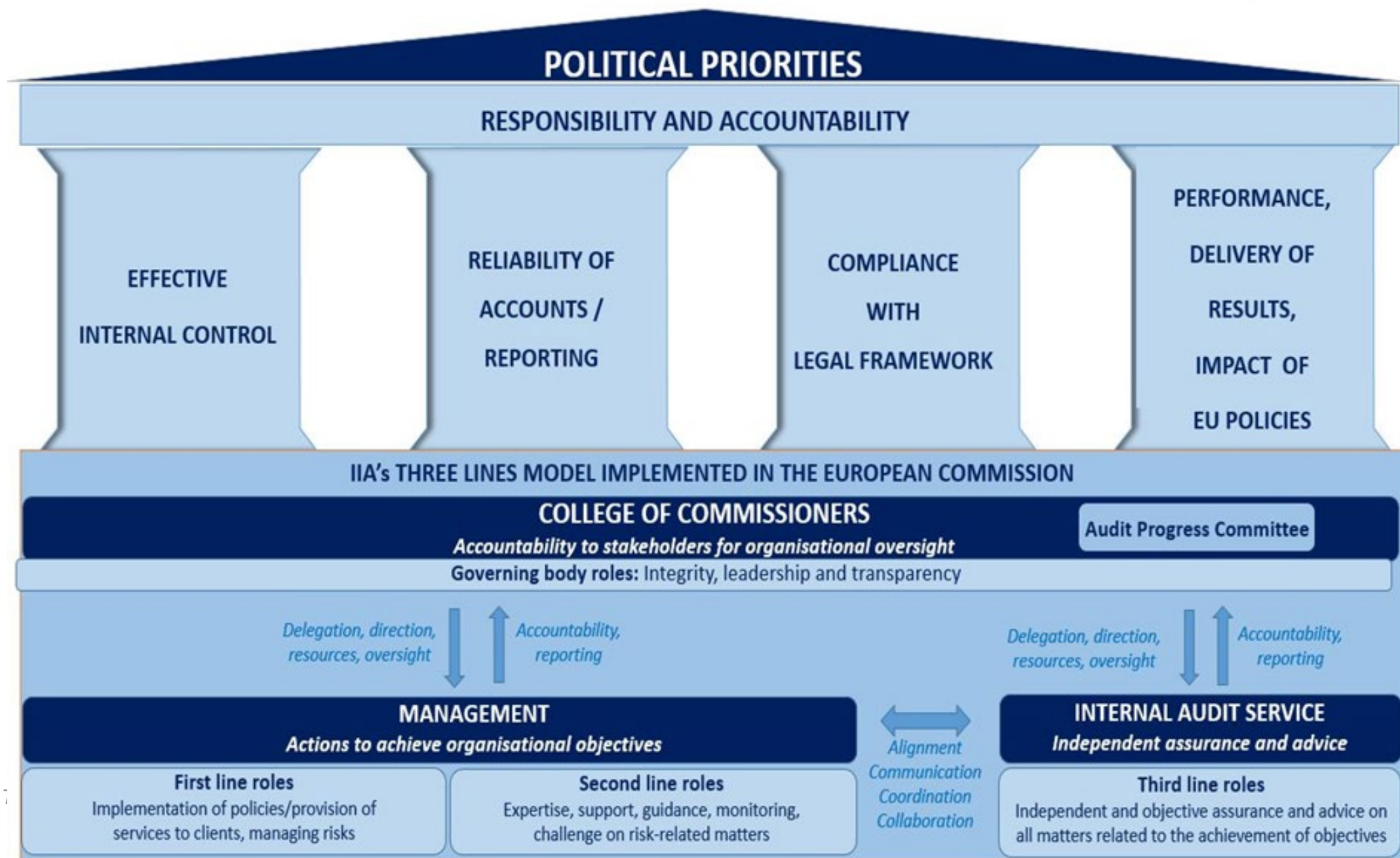
Internal auditors should be free from undue influence and committed to making objective assessments.

The IAS Charter :

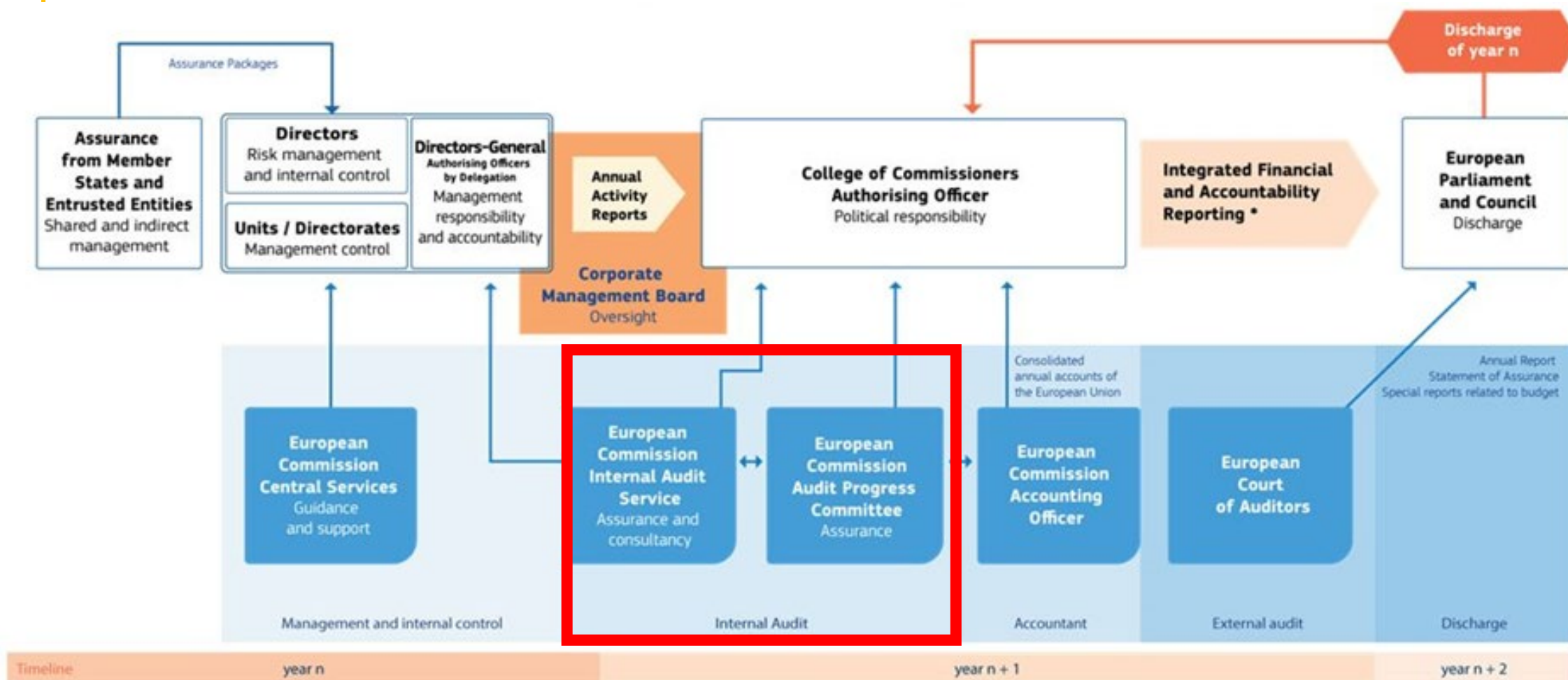
- No **authority may interfere** in the conduct of IAS audits or ask the IAS to make any alterations to the content of audit reports.
- To ensure objectivity in their judgement and avoid conflict of interest, the IAS internal auditors must preserve their independence in relation to the activities and operations they review .
- The Internal Auditor has the **responsibility to develop and update the risk-based audit plans** and submit them to the APC for consideration.

Commission's assurance and accountability chains

Delivery of Political Priorities – Key Elements of Commission's Responsibility and Accountability



Commission's Assurance and Accountability Chains

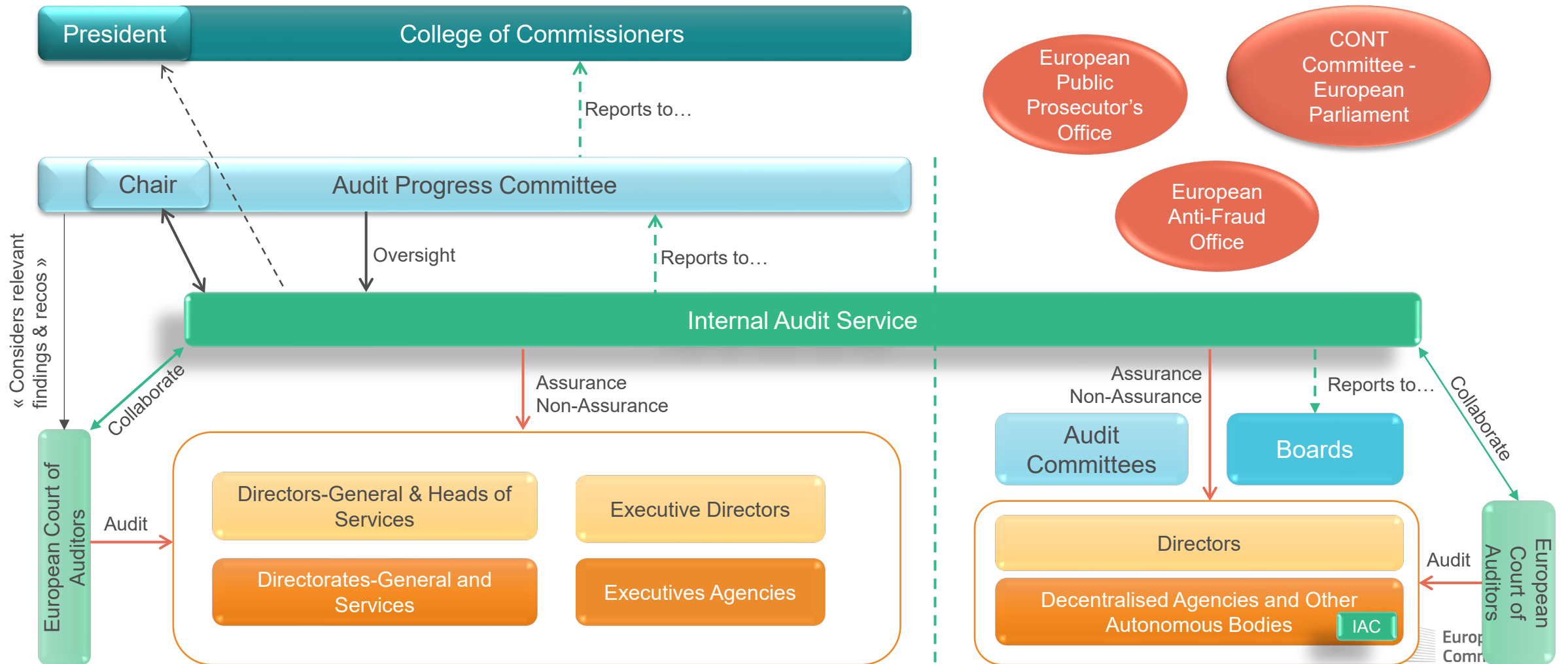


- * **Integrated Financial and Accountability Reporting:**
- Consolidated annual accounts of the European Union
 - Annual management and performance report
 - Long-term forecast of future inflows and outflows
 - Annual internal audit report
 - Report on the follow-up to the discharge

How the IAS can help stakeholders achieve their objectives

IAS stakeholders

CITIZENS



Strategic and operational cycle



Audit strategy

aligned with mandate's priorities
and stakeholders' expectations



Risk assessment annual



Audit plan rolling

**Complementary
products in addition
to assurance**



Horizontal reports Annual

Internal audit strategy



**Aligned with
Commission mandate**



HR strategy



**Audit universe:
financial, operational
and support**



**Technology
enhancement
programme**

How the IAS identifies the key risks

Top-down

- => Commission priorities, policy and organisational objectives
- => Discussions with stakeholders and audit clients
- => DG perception of the key risks of the EC: IAS survey
- => The top management perspective: list of critical risks (including peer reviews)
- => IAS analysis and brainstorming

Bottom-up

- => in-depth risk assessment for each *auditable entity* in the *audit universe*
- => calibration

From Financial Regulation:

- **Annual Report on internal audits for the European Commission** (Art. 118.4 FR) - Report of the Internal Auditor addressed to the Commission
- **Annual Report on internal audits for the European Parliament and the Council** (Art. 118.8 FR) - Report of the Commission addressed to the discharge authority
- Content of both reports:
 - Number and types of internal audits
 - Summary of the recommendations
 - Actions taken as regards these recommendations

From IAS Charter:

Overall Conclusion

- Scope: Effectiveness of the financial management of the European Commission
- Reference framework: Standard 2450 [non-obligatory] of the Institute of Internal Auditor

IAS follow-up reports

- Bi-annual overview report on implementation of IAS recommendations

Q&A