

PEMOPAL



Internal Audit
Community of
Practice

AUDIT COMMITTEES IN THE PUBLIC SECTOR

December 2023

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WHAT ARE PEMPAL & IACOP?

Public Expenditure Management Peer Assisted Learning (PEMPAL) is a network to facilitate exchange of professional experience and knowledge transfer among public financial management practitioners in countries across the Europe and Central Asia region. The network, launched in 2006, aims to contribute to strengthening public financial management practices in the member countries through developing and disseminating information on good practices and their application. The network is organized around three thematic communities of practice:

- Budget Community of Practice,
- Treasury Community of Practice, and
- Internal Audit Community of Practice.

The main overall objective of the IACOP is to support its member countries in establishing modern and effective internal audit systems that meet international standards and good practices, key for good governance and accountability in the public sector.

This document is one in a series of IACOP knowledge products. Others, all available from www.pempal.org, include:

- Good Practice Internal Audit Manual Template;
- Good Practice Continuing Professional Development Manual Template;
- Internal Audit Body of Knowledge;
- Risk Assessment in Audit Planning;
- Cooperation Among Public Sector Audit and Financial Inspection Entities;
- Quality Assessment and Improvement Guide;
- PEMPAL Guidance on Internal Audit: Demonstrating and Measuring Added Value;
- The Impact of COVID-19 on the Role and Activities of Internal Audit;
- PEMPAL IACOP Glossary of Terms: Internal Control;
- Key Performance Indicators for Internal Audit Function;
- Assessing the Effectiveness of Internal Control: PEMPAL Guidance for Public Sector Internal Auditors;
- Guidance on Monitoring of the Internal Audit Function by the Central Harmonization Unit;
- IT Audit: Practical Guidance for Internal Auditors in the Public Sector.

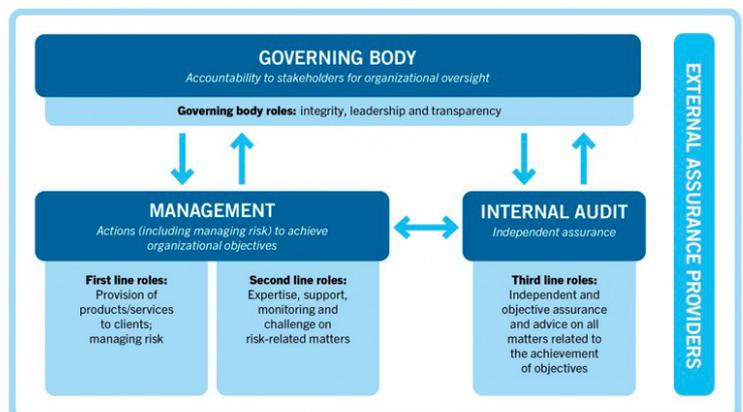
PREFACE

Audit committees have existed in the private sector since the mid-1980s to support organizations, Boards of Directors and Supervisory Boards in their oversight responsibilities. They have recently become more common in the public sector, reflecting the demand for more effective internal audits and internal controls to support greater efficiency as, more than ever, authorities strive to meet their objectives. In response to the growing interest in audit committees in PEMPAL countries, the Internal Audit Community of Practice (IACOP) undertook a review of how audit committees assist in advancing public internal control reforms and support managerial accountability. This publication summarizes the good practice collected.

PURPOSE OF THE AUDIT COMMITTEE

1 Audit committees play a significant role in improving transparency, accountability, and performance in the public sector. Audit Committees accomplish this by providing independent oversight over governance, risk management, and internal control practices in public sector organizations. The audit committee accomplishes this by providing objective advice and recommendations on the design and operational effectiveness of governance, risk management and internal control systems to the governing body. However, responsibility for day to day decision making remains with management. According to the Institute of Internal Auditor’s “three lines model”¹ pertaining to governance and accountability, audit committees are the highest-level decision-making authority which provide oversight within an entity, are an integral part of public sector governance and help improve transparency and managerial accountability.

The IIA’s Three Lines Model (2020)



KEY: ↑ Accountability, reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication, coordination, collaboration

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¹<https://www.theiia.org/globalassets/site/about-us/advocacy/three-lines-model-updated.pdf>

2

Audit committees also significantly contribute to strengthening the independence and effectiveness of internal audit activities. The organizational independence of internal audit is ensured through functional reporting by the chief audit executive (in the public sector usually referred to as the head of internal audit) to the audit committee.

3

The composition of the audit committee is critical. It should comprise a majority of independent members, and its chair and members should be appropriately qualified, inquisitive, and prepared to challenge if required.

Most PEMPAL countries require state-owned enterprises to have an audit committee but only half require line ministries to have one.

A special law in Serbia mandates the establishment of an audit committee in state-owned enterprises.

In Armenia, 47 audit committees operate at local government level.

In Kosovo, 33 audit committees exist at the level of the central government.

AUDIT COMMITTEES MANDATE AND RESPONSIBILITIES

4

An audit committee's mandate in the public sector is usually established by legislation or prescribed in regulations. Global good practices require that public sector entities have independent audit committees whose responsibilities are formalized in an Audit Committee Charter or Terms of Reference. The audit committee charter documents information about the audit committee's mandate, membership, authority, and responsibilities.

5

The responsibilities of an audit committee set out in the audit committee charter may vary depending on the structure and needs of an organization. They are likely to include:

- Oversee financial reporting and, where relevant, budget processes;²
 - Oversee governance, risk management, and internal control processes;
 - Oversee ethical processes;
 - Oversee the whistleblowing process;
 - Oversee processes for fraud detection, prevention and mitigation;
 - Monitor implementation of internal and external audit (supreme audit institution) recommendations;
 - Monitor the quality and performance of the internal audit function;
 - Endorse the appointment, removal, and changes to compensation and benefits of the head of internal audit.
-

6

The audit committee must never take on responsibilities that are operational in nature and thus part of management's universe. Involvement of the audit committee in decision making may impair its objectivity which, in turn, may negatively impact its ability to remain independent.

Where audit committees exist within the PEMPAL network, their focus is generally on monitoring/overseeing the internal audit function, the financial reporting process, and risk management and internal control. They also play a role in monitoring management's progress implementing internal and external audit recommendations.

²General purpose financial reports are designed to provide financial and, where required, performance information to a range of users. To be relevant, the information must meet the accountability and/or decision making needs of the users.

GOVERNANCE

7

In terms of governance, the audit committee may review and provide oversight on public sector governance related initiatives introduced by the senior management of the organization. This, of course, requires a high level of maturity and acceptance of the role of audit committees.

RISK MANAGEMENT

8

With regard to risk management, the audit committee reviews and provides oversight on the establishment, implementation, maintenance, and effectiveness of risk assessment, risk management, and risk reporting practices.

9

The risk manager, when the function has been established, will report on a regular basis to the audit committee (if a dedicated risk committee does not exist) on the status of the risk management process within the organization, highlighting the critical and very important risks that exceed the risk appetite of the organization. Organization management will present the risk management report to the audit committee, in case the risk management function does not exist.

INTERNAL CONTROL

10

The audit committee reviews and provides oversight on the organization's overall internal control framework, including the state of play of financial management control. If applicable, the audit committee will review the public statements made by the organization's management on internal control.

ETHICS

11

Related to ethics, the audit committee oversees the systems and practices established by management and existing laws and regulations to set up and sustain high ethical standards. The audit committee oversees how management monitors compliance with laws, regulations, policies, and standards of ethical conduct and how management identifies and quickly addresses any legal or ethical violations. The audit committee also oversees the robust, well-functioning whistleblowing process where applicable.

12

The audit committee approves and periodically reviews the existing internal audit policy or charter. The committee also reviews and approves the internal audit strategic and annual plans. The audit plans should be risk-based and supported by appropriate risk assessments. The audit committee monitors and assesses internal audit performance in accomplishing the approved plans through periodic (usually quarterly) reports submitted by the head of internal audit and/or the central harmonization unit (CHU)³. The audit committee also reviews additional budgets related to audit plans (e.g., travel, external services, audit tools, training).

13

The head of internal audit submits the strategic and annual audit plans to the audit committee for endorsement. The audit committee assesses whether the most important risks are covered in the plans.

14

It is normal practice that all decisions regarding the head of internal audit, for example related to recruitment and removal, performance assessment, and components of compensation (e.g., bonuses), are endorsed by the audit committee. This helps safeguard the independence of internal audit.

15

The head of internal audit should have direct access at any time to the members of the audit committee.

³CHU role and function are elaborated in the PEMPAL ACOP knowledge product *Guidance on Monitoring of the Internal Audit Function by the Central Harmonization Unit*

OTHER ASSURANCE PROVIDERS

16

The audit committee must be informed on all significant matters from work performed by any internal or external governance, risk, inspection, and control assurance providers, including management's response and subsequent audit-related issues and priorities. In most jurisdictions, public sector entities are subject to audit by the supreme audit institution which has an independent legislative mandate to conduct a broad range of audits. It is good practice for the supreme audit institution to brief audit committees, as appropriate, on the results (reports) of their audits.

17

The audit committee should follow-up progress in implementing recommendations made by the supreme audit institution or other inspection or control assurance providers.

AUDIT RECOMENDATIONS

The Audit Progress Committee of the European Commission invites the auditees to its meeting to personally explain the overdue situation.

18

The audit committee should review regular reports on the implementation status of approved management action plans resulting from prior audit recommendations. Though it is not the primary responsibility of the audit committee to follow up on the implementation of audit recommendations, the committee should pay attention to long-overdue critical and very important recommendations. This is certainly the case for internal audit recommendations. Internal audit should notify the audit committee of long-outstanding overdue issues.

REPORTING ON PUBLIC ACCOUNTABILITY

19

The audit committee should review and provide advice to the top level of the organization on the key financial management and performance reports and disclosures issued to the public.

20

If the organization prepares an annual statement on managerial accountability, the audit committee should review it and have oversight of the procedures used to prepare the statement. Such management statements may include presentations on internal control over financial reporting, including financial management control.

21

Oversight of the financial reporting process by the audit committee is more relevant in state-owned companies than in line ministries or local government.

22

For audited ministerial financial statements, the audit committee should review the financial statements with the external assurance providers (supreme audit institution and others as relevant) and senior management and discuss any significant accounting estimates and adjustments therein, adjustments required to the statements because of the audit, and any difficulties or disputes encountered with management during the audit.

COMPOSITION OF AN AUDIT COMMITTEE

23

As highlighted in the Institute of Internal Auditors Global Public Sector Insight “Independent Audit Committee’s in Public Sector Organizations⁴” the key to an audit committee’s effectiveness is having members with an appropriate mix of skills and experience relevant to the organization’s responsibilities. The ideal composition of the audit committee and attributes of its members depends on a variety of factors such as the organization’s size, complexity, and responsibilities. Generally, audit committees have between three and eight members with the typical audit committee having four or five. As a general rule, the minimum number of members for an effective audit committee is three”. An essential feature of an effective audit committee is its independence from management. By providing an independent source of advice and oversight, audit committees play a key role in an organization’s governance structure. To ensure the audit committee’s independence it is good practice for the majority of its members to be independent from the organization. An independent audit committee member is a person who is not employed by, or provides any services to, the organization beyond his or her duties as a committee member.

24

Audit committees in the public sector usually consist of a mix of independent members and public servants of a related organization. It is essential that the independent members have no operational or political responsibilities with regard to the scope of work of the audit committee.

⁴<https://www.theiia.org/globalassets/documents/standards/independent-audit-committees-in-public-sector-organizations.pdf>

25

The independent members guarantee the independence of the committee while also bringing outside expertise.

26

No audit committee member, whether independent or not, can have any conflict of interest with regard to the scope of work of the committee. If a member faces a conflict of interest for a particular item on the agenda of the audit committee, this member should refrain from all discussions on the topic concerned.

27

Independent members can be paid for the meetings attended. The other members are usually not paid, as they are on the payroll of the public entity they represent.

The independent external members of the Audit Progress Committee of the European Commission are compensated for their work as a committee member.

28

The members of the audit committee should be collectively knowledgeable of, or have expertise in, finance and accounting, business knowledge, auditing, risk management, compliance, and information technology. This overall expertise is not required of each individual member.

29

Continuous training of audit committee members is critical in order to maintain and increase their effectiveness.

30

In a decentralized internal audit environment, the audit committee chair could be the minister overseeing that specific ministry or entity. In a centralized internal audit environment, the prime minister could be considered as the audit committee chair. Of course, a clear separation between the political level and the administration is needed in order to maintain the committee's independence.

31

It is good practice to invite the supreme audit institution as an observer to meetings of the audit committee. If a national central audit committee or its equivalent exists, such as a public internal (financial) control (PIC) council, they could also be invited as an observer to audit committee meetings of the decentralized entity.

32

The role of the CHU will depend on the level of maturity of the internal audit system. The CHU may support the implementation process of audit committees, by drafting methodology, organizing training, and sharing good practices. The CHU may draft the necessary legislation and regulations for the effective functioning of the audit committee. The audit committee may rely on the CHU or PIC council for administrative support and use their work as a basis for its oversight but would not normally delegate any of its tasks. Where there is a national central audit committee, the CHU could be responsible for recording attendance at meetings to be used for the remuneration of audit committee members.

TERM OF COMMITTEE MEMBERS

Audit committees play a crucial role in combining institutional knowledge with fresh perspectives. Members should serve terms that balance continuity without becoming too entrenched in current policies. Terms under two years are usually too brief, while those exceeding eight years may be too lengthy. A commonly adopted approach is a four-year term, and if limitations are in place, staggering terms help maintain optimal continuity.

There are differences and discrepancies in the composition of audit committees across the PEMPAL community. Some countries, for example, have a minimum requirement of two independent members in every audit committee but with no maximum for the number of “executive” or non-independent committee members. This has led to examples of committees with two independent members and one “executive” member and conversely with two independent and six members of management, resulting in rather limited independence. In some countries there is one audit committee for the entire government while other countries have an audit committee for each ministry.

REPORTING LINE OF THE AUDIT COMMITTEE

33

When considering reporting lines, the new three lines model shows that audit committees operate at the governing body level, usually as a small committee of specialists reporting to a larger body. At the level of national government, it is recommended that audit committees report to the cabinet of ministers. All administrative issues can be handled through the ministry of finance with the CHU acting as an administrative support to the audit committee (preparation of agenda, drafting of minutes, etc.). It is good practice to make the minutes of the audit committee public.

The minutes of the audit committees of the Flemish Administration and Local Governments in the Flanders region (Belgium) are sent to the Flemish Government and published on the Government’s website.

34

For local governments, it is worthwhile searching for a solution where one audit committee serves the entire community of cities and municipalities. This enables a consistent approach towards all local governments and their internal audit functions. An alternate solution might be to set up an audit committee for each region or province.

35

The audit committee publishes an annual report on its activities and main observations. This report can be used by the government/cabinet of ministers for its own discharge procedure in the parliament.

Reporting lines vary across PEMPAL, there are examples of audit committees reporting to the minister overseeing internal audit, normally the minister of finance; to the cabinet of ministers; to boards of directors; and also to parliament, which is perhaps the more relevant situation given the accountability of parliament to taxpayers.

QUALITY OF INTERNAL AUDIT

36

The audit committee should monitor the quality of the internal audit function. It can do this directly or by using the results of an internal or external assessment of internal audit.

37

The head of internal audit presents the results of an internal assessment to the audit committee together with an action plan on improvements resulting from the observations made during the assessment. The audit committee monitors appropriate implementation of the action plan.

38

It is also common practice for the performer of an independent external assessment (the CHU, an external expert) to present the results of their assessments to the audit committee. The head of internal audit provides an action plan in response to the observations made in the external assessment and the audit committee monitors its appropriate implementation.

ASSESSMENT OF AUDIT COMMITTEE PERFORMANCE

39

The audit committee's performance needs to be evaluated regularly, as outlined in the audit committee charter or relevant legislation/regulation. These assessments are crucial to ensuring that the committee adheres to the stipulations in its charter and aligns its contributions with the organization's requirements and expectations, and, by extension, those of the government. Generally, both the overall performance of the audit committee and the individual members are assessed on an annual basis. High-performing audit committees are founded on three key pillars:

- The audit committee's compliance with the legislation, regulations, and its formal charter;
 - The level of participation of audit committee members;
 - The committee's ability to drive value-added activities and outcomes that are congruent with the organization's vision, statutory objectives, and strategies.
-

40

The audit committee charter provides a formal mandate under which the audit committee operates. It outlines the roles, responsibilities, and breadth of expected coverage. Reviewing the compliance of the audit committee's activities with legislation, regulations, and its own charter is a key component of the overall quality assessment.

41

The audit committee chair should annually review the performance of the individual members of the audit committee to determine whether they are discharging their obligations appropriately. If the chair is the Minister, or head of the organization the independence of audit committee members could be compromised.

42

The audit committee chair can use assessment tools to help assess each member's performance and contribution to the committee. The assessment should also include a review of the independence of audit committee members. The audit committee chair should discuss the results of the assessment with the individual members and an action plan for further development should be agreed upon, as required.

43

High-performing, contemporary audit committees tend to operate at a strategic level with a high degree of alignment with the organization's statutory objectives, vision, and strategic direction. The value added by the audit committee can be assessed through interviews with the key stakeholders of the audit committee's activities (e.g., the cabinet of ministers, the supreme audit institution, the CHU, and the heads of internal audit).



APPENDIX 1. SAMPLE AUDIT COMMITTEE CHARTER



CHARTER OF THE AUDIT PROGRESS COMMITTEE OF THE EUROPEAN COMMISSION

1. CHARTER

The Charter establishes the role, purpose, responsibilities, membership and composition, values and operational principles, and reporting arrangements of the Audit Progress Committee of the European Commission, in conformity with Article 123 of the Financial Regulation.⁵

2. ROLE AND PURPOSE

The Audit Progress Committee assists the College of Commissioners in fulfilling its obligations under the Treaties, the Financial Regulation and under other statutory instruments by ensuring the independence of the Internal Audit Service, monitoring the quality of internal audit work, and by ensuring that internal and external audit recommendations are properly taken into account by the Commission departments and that they receive appropriate follow-up. In this way the Audit Progress Committee contributes to the overall further improvement of the Commission's effectiveness and efficiency in achieving its goals and facilitates the College's oversight of the Commission's governance, risk management, and internal control practices.

The Audit Progress Committee ensures that the College is appropriately informed on a timely basis on any issues arising from its work.

The committee is an oversight body and has no management powers.

⁵Ref. Article 123 of Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union, repealing Regulation (EU, Euratom) No 966/2012 (2012 Financial Regulation).

3. MEMBERSHIP AND COMPOSITION

(a) The Audit Progress Committee

The Audit Progress Committee comprises nine members. A maximum of six are Members of the Commission, and at least three are external members with proven professional expertise in audit and related matters.

The Chair is a Member of the Commission designated by the President of the Commission.⁶

The Chair and three Members of the Commission are appointed for the whole of the mandate, up to two Members of the Commission are appointed to join for the first half of the mandate and up to two different Members of the Commission for the second half of the mandate. The part rotation of membership shall take place halfway through the mandate.

External members are selected on the basis of an open and transparent procedure.

They are appointed in accordance with the Commission's rules for Special Advisers.⁷

In principle, external members serve a term of up to 4 years, which may exceptionally, for reasons of continuity and in the interest of the Commission, be extended to a total maximum of 8 years.

(b) The Preparatory Group

Members of the committee designate a member of their Cabinet to assist them in their work. These Cabinet members and the external members form the Preparatory Group. The Preparatory Group is chaired by the Cabinet of the Audit Progress Committee Chair.

(c) Audit Progress Committee Secretariat

The Audit Progress Committee is assisted by a secretariat. The Secretariat serves all the members of the committee. It reports directly to the Preparatory Group Chair and assists the Audit Progress Committee Chair in preparing, conducting and reporting on its meetings. Working arrangements put in place between the Secretariat and the Internal Audit Service, in agreement with the Preparatory Group Chair, shall guarantee the independence of the Secretariat in performing its functions in line with this Charter.

(d) Training

Audit Progress Committee members and Preparatory Group members shall receive orientation training on the purpose and mandate of the committee as necessary.

⁶Ref. P(2019)1, Decision of the President of the European Commission of 1 December 2019 on the organization of responsibilities of the Members of the Commission.

⁷Commission Decision C(2014) 541 final of 6 February 2014 amending the Rules on special advisers to the Commission (C(2007)6655).

4. VALUES AND OPERATIONAL PRINCIPLES

The Audit Progress Committee conducts itself in accordance with the present Charter.

All communication with the Commission departments, as well as with external auditors, will be direct, open, and complete.

Audit Progress Committee members, and the College as appropriate, should have at their disposal a full, regularly updated picture of all relevant audit findings, recommendations, commitments and follow-up action.

Meetings shall not be public. Members will respect the confidentiality of documents and related debates.

5. RESPONSIBILITIES OF THE COMMITTEE

The Audit Progress Committee shall draw up an annual work plan which ensures that its activities are effectively scheduled and implemented on time, and that the committee delivers on its responsibilities as set out below.

a. INTERNAL AUDIT

The Audit Progress Committee shall ensure the independence of the Internal Auditor and that internal audit activities are conducted in accordance with recognized best practices.

To re-assure itself with respect to the work of the Internal Audit Service and the follow-up of its recommendations by Commission departments, the Audit Progress Committee shall:

* Consider the annual declaration of independence of the Internal Auditor.

* Consider the mission charter of the Internal Audit Service to ensure that it is consistent with changes in the financial, risk management, and governance arrangements of the Commission, and that it reflects developments in internal audit professional practices.

* Monitor the quality of internal audit work and its consistency with the Institute of Internal Auditors' international standards for the professional practice of internal auditing in particular by ensuring that the internal audit function has an external quality assurance review at least every 5 years or following any major structural changes, and that its results are followed up and brought to the attention of the College as necessary.

*Consider the Internal Auditor's multi-annual risk-based internal strategic audit plan and the annual audit work plans, including updates. In this context the Internal Audit Service will transmit to the Audit Progress Committee the consolidated information on the list of critical risks and possible additional comments which it has received from the Corporate Management Board. In exceptional cases, pursuant to the Financial Regulation⁸, the Chair may propose to the College to invite the Internal Audit Service to carry out additional audits.

*Consider the Internal Audit Service's audit reports and/or other communications from the Internal Audit Service to Commission management (such as management letters covering cross-cutting issues) and respective action plans where applicable.

*Monitor the follow-up given by the Commission departments to the recommendations of the Internal Audit Service, and report to the College as necessary.

b. EXTERNAL AUDIT AND RELIABILITY OF THE EU CONSOLIDATED ACCOUNTS

To re-assure itself with respect to the audit related work of the European Court of Auditors and the follow-up of its recommendations by Commission departments, the Audit Progress Committee shall:

*Consider relevant findings in audit reports and other relevant communications from the European Court of Auditors and, where appropriate, may invite the relevant Member of the European Court of Auditors to discuss a particular audit report in the Audit Progress Committee.

*Monitor the follow-up given by Commission departments to the European Court of Auditors' recommendations, and report to the College as necessary.

*Consider, in particular, the European Court of Auditors' audit recommendations relating to the reliability of the EU consolidated accounts and monitor the Commission's follow-up actions to address any risks identified. Exceptionally, if the risks relating to the reliability of annual accounts justify it and upon request by the Accounting Officer, the Audit Progress Committee shall discuss the accounts before they are adopted.

c. INTERNAL CONTROL FRAMEWORK, ANNUAL MANAGEMENT AND PERFORMANCE REPORT AND ANNUAL DISCHARGE PROCESS

The Audit Progress Committee shall consider the assurance-building pillars of the annual management and performance report before its adoption by the College, including the Internal Auditor's overall opinion, the annual internal audit report, the results of the annual activity report peer review process and the limited conclusions on the effectiveness of internal control in each Commission department provided by the Internal Audit Service.

Furthermore, the committee shall consider the audit-related issues raised in the annual discharge resolutions and monitor the follow-up given by Commission departments through consideration of the report from the Commission to the European Parliament and the Council on the follow-up to the annual discharge.

⁸Ref. Article 119 of Regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union, repealing Regulation (EU, Euratom) No 966/2012 (2012 Financial Regulation).

6. ORGANISATION OF MEETINGS

(a) Planning of meetings

The Audit Progress Committee holds at least three meetings per year. The Chair may call for additional meetings as necessary.

Meetings are arranged sufficiently in advance to enable all members and invitees to attend.

(b) Agendas

The Chair proposes the agenda on the basis of the work of the Preparatory Group. The Audit Progress Committee shall adopt the agenda at the beginning of each meeting.

(c) Decision-making and quorum

The Audit Progress Committee works on the basis of consensus. Should there be a lack of consensus, members may express their opinions in writing, and these will be attached to the minutes of the meeting.

The quorum shall be five members including at least two external members. An absent member cannot be replaced but may provide an opinion in writing.

Should the Chair be unable to attend an Audit Progress Committee meeting, he will be replaced by another Member of the College present according to the order of replacement laid down in Article 3 of the Decision of the President of the European Commission P(2019).

(d) Invitees

The Audit Progress Committee may invite relevant Members of the Commission and Commission departments (normally at Director-General level) to attend meetings when an audit report concerning their portfolio is discussed.

The Director-General of the Internal Audit Service, the Director-General of the Directorate-General for Budget, the Deputy Director-General of the Directorate General for Budget (also Accounting Officer of the Commission and responsible for the discharge and relations with the European Court of Auditors), the Secretary General and a member of the President's Cabinet hold standing invitations to attend meetings. Whenever audit-related information technology issues are on the agenda and the Directorate-General for Informatics is not the auditee, its Director-General will be invited to the Audit Progress Committee's meetings. Other Commission departments may be invited to meetings whenever issues relevant to their areas of responsibility are on the agenda and they are not the auditee.

The Chair may ask external invitees to attend meetings where appropriate.

Unless decided otherwise by the Chair, the Secretariat attends all meetings.

(e) Information requirements

Where written or oral contributions are required to support specific discussion points, this will be explicitly communicated to the relevant department sufficiently in advance of the meeting.

Supporting documentation for discussion points shall generally be provided at least five working days prior to the meeting.

(f) Conduct of meetings and avoidance of conflict of interest

The Chair has the right to restrict contributions and to bring a debate to a close when considered appropriate.

When audits specifically concerning a department under his direct political responsibility are under discussion, the Chair will be replaced by another Member of the College present according to the order of replacement laid down in Article 3 of the Decision of the President of the European Commission P(2019).

When the Audit Progress Committee examines an audit report that concerns a department under the direct political responsibility of a Member of the College appointed to the Audit Progress Committee, this Member shall declare an interest and refrain from commenting on recommendations raised in the report. External members shall also refrain from discussions on matters in which they have an interest. If there is any question as to whether member(s) should recuse themselves, the Chair shall decide whether such recusation is required.

(g) Written procedure

As a general rule, issues for the Audit Progress Committee's attention are placed on the agenda of regular meetings. However, the Chair may, where appropriate, instruct the secretariat to seek the agreement of the committee by written procedure.

(h) Minutes

Minutes are taken of all meetings of the Audit Progress Committee for the attention of the Members of the College. The draft minutes shall be circulated to members of the Audit Progress Committee for comments and approval. Standing invitees and auditees are consulted on the draft minutes for the points for which they have been present in the meeting.

The approved minutes are transmitted systematically to the College as well as to the President of the European Court of Auditors.

7. PREPARATORY MEETINGS

Preparatory Group meetings serve to prepare the Audit Progress Committee meetings by considering all agenda points and ensuring that discussion in the Audit Progress Committee focuses on the most relevant matters and that the most effective input and added value can be obtained from the meetings.

The Preparatory Group may invite relevant Commission departments (normally at Director level) to attend meetings when an audit report concerning their portfolio is discussed.

Preparatory Group meetings are also attended by standing invitees: representatives from the Internal Audit Service, the Directorate-General for Budget, and the Deputy Director-General of the Directorate-General for Budget (also Accounting Officer of the Commission and responsible for the discharge and relations with the European Court of Auditors) or his/her representative, the Secretariat-General and a member of the President's Cabinet. Whenever audit-related information technology issues are on the agenda and the Directorate-General for Informatics is not the auditee, the department will be invited to the Preparatory Group's meetings. The Preparatory Group Chair may also invite other Commission departments whenever audit-related issues relevant to their areas of responsibility are on the agenda and they are not the auditee.

Minutes are taken for all Preparatory Group meetings and circulated to its members for comments and approval. Standing invitees and auditees are consulted on the draft minutes for the points for which they have been present in the meeting.

8. REPORTING

Whilst the Audit Progress Committee has no management powers, it may at any time report to the College on any issues arising out of its work on which it considers the College needs to be informed or to take action. The committee may also bring issues to the attention of the Corporate Management Board as appropriate.

The Audit Progress Committee will also draw up an annual report to the College summarizing the committee's main conclusions and recommendations as concerns the risk, control, and compliance framework in the Commission, which will feed into the annual management and performance report of the Commission.

The report should at least include:

*a summary of the work the committee has undertaken to fully discharge its responsibilities during the preceding year;

*any relevant considerations on the quality of internal audit work;

*a summary of progress in addressing corrective actions on the most relevant findings and recommendations made in internal and external audit reports, and audit-related issues raised in the annual discharge resolution;

*an overall summary of the committee's most relevant findings as concerns the Commission's risk, control, and compliance framework; and

*details of meetings, including the number of meetings held during the relevant period.



APPENDIX 2.
SAMPLE AGENDA
TEMPLATE OF
AN AUDIT COMMITTEE
MEETING



XYZ Audit Committee meeting to be held on XXX (date) at XXX (venue and time)

COMMITTEE MEMBERS

Attendees and apologies list:

John Smith	Chair	Confirmed
Mary Johnson	Member	Apology
David Brown	Member	Confirmed
Jennifer Williams	Member	Confirmed
Michael Davis	Member	Confirmed
Lisa Martinez	Secretary	Confirmed

INVITEES

Attendees and apologies list:

James Taylor	Head of Department	Confirmed
Sarah Garcia	Director of finance	Confirmed
Robert Rodriguez	Head of internal audit	Confirmed
Jessica Lee	SAI: Auditor-General	Confirmed

Welcome and Apologies	Chair
2. Confirmation of the Agenda	Chair
3. Declaration of Interests by Audit Committee Members	Members
4. Confirmation of Minutes	
4.1 Approval of previous minutes	Chair
4.2 Matters arising from previous meetings	Chair
5. Reports to be discussed	
5.1 Financial Reporting	Director of Finance
5.2 External Audit	SAI
5.3 Internal Audit	Head of Internal Audit
5.4 Risk Management	Head of Risk Department
5.5 Legal and Compliance	Head of Legal
5.6 Internal Control	Designated employee
5.7 Business Continuity Management and Disaster Recovery	Designated employee
5.8 Anti-Fraud and Corruption	Designated employee
5.9 Other	Designated employee
6. Internal Audit Annual Plan (annual agenda item)	Head of Internal Audit
7. Review of Audit Committee Charter (annual agenda item)	Chair
8. Review Internal Audit Charter (annual agenda item)	Chair
9. Audit Committee Self-Assessment (annual agenda item)	Chair
10. Internal Audit Assessment (annual agenda item)	Chair
11. Other	All
12. Next Meeting	Chair
13. Closure	Chair