



Charter for Internal Audit

March 2017



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1. Policy

Internal Audit is a vital component of the management of the Bank. It helps the Bank by providing independent assurances and by identifying how the Bank can be made more efficient.

Therefore, it is the policy of the European Investment Bank to maintain an internal audit function, which is an independent, objective assurance and advisory activity designed to add value and improve the Bank's operations. It helps management accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of governance, risk management, and internal control.

To this end, Internal Audit furnishes all levels of the Bank's management with assurances, analyses, agreed action plans or recommendations, counsel and information concerning the activities reviewed.

Internal Audit is responsible for the audit of the European Investment Bank Group. The provisions of this Charter apply *mutatis mutandis* for each entity. The Charter, as it applies to the Bank, is approved by the Management Committee following consultation with the Audit Committee.

The Head of Internal Audit reports to the President, and may report to a mandated Vice-President for specific matters, as requested by the President. The Head of Internal Audit will be responsible for consultation, liaison and cooperation with the Audit Committee and external bodies. The Head of Internal Audit has direct access to the Audit Committee.

2. Mission

The general objective of Internal Audit is to provide to management a reasonable assurance that the Bank is operating properly and efficiently. To that end it examines for those areas described in section 3 (Scope) that:

- Risk exposure relating to the achievement of the Bank's strategic objectives is accurately identified and reported;
- The Bank's resources and assets are properly accounted for and safeguarded;
- Financial, operational, accounting and other data generated within the Bank and/or used for management purposes is accurate and reliable;
- The integrity, reliability, confidentiality and continuous availability of information systems is secured;
- The application of risk management procedures and methodologies and the functioning of internal controls are effective;
- Bank's policies and procedures in relation to the above are adequate and complied with;
- Resources are employed in an effective and efficient manner;
- The governance, operations and various functions and activities of the Bank in those areas described in Section 3 are performed efficiently and effectively.

Internal Audit may participate in advisory activities such as participation in working groups and committees. Such activity will be notified to the Management Committee and the Audit Committee in the Internal Audit Annual Report.

3. Scope

Areas covered by Internal Audit include:

- Lending, equity, and guarantee activities;
- Finance, and treasury activities;
- Mandate and advisory activities;
- Risk management;
- Management information systems and information technology including security and control aspects of computer systems under development;
- All other activities, including personnel and administrative functions.

4. Procedures

4.1 The Head of Internal Audit prepares an annual audit plan and reports semi-annually on the execution and on-going appropriateness thereof. The plan is based on a risk-assessment methodology and on consultation with, amongst others, the Secretary General, Directors General, members of the Management Committee, and the Audit Committee. The final plan is approved by the Management Committee, taking into account the resources available and who may, after consultation with the Head of Internal Audit, add and delete items or decide on timing priorities.

4.2 In carrying out its tasks, Internal Audit:

- Bases itself essentially on the relevant decisions taken by the Management Committee and the supporting documentation, obtaining JU advice when legal issues may arise;
- Tests the efficiency and effectiveness of existing internal control systems;
- Reports on its findings including all significant weaknesses, shortcomings and inefficiencies and includes agreed action plans or recommendations to improve control and working procedures;
- Maintains a centralized record on the implementation of agreed action plans and recommendations that have been agreed to by the management concerned; and acknowledged by the President who may consult with the Management Committee thereon;
- Reports quarterly to the President, the Management Committee and the Audit Committee on actions taken on major agreed action plans.

4.3 Release of an audit report:

- The Directorates involved have the opportunity to comment on the factual accuracy, the conclusions and the proposals in the report within a given period; the overall clearance period with all levels of management should not be more than 25 working days. Agreed actions plans should be formulated wherever feasible. Any disagreement with the audit conclusions should be explicitly stated.
- The audit report with agreed action plans is issued to the President, Vice President(s) responsible for the activity covered, the Secretary General, the Directorates concerned, the Audit Committee and the external auditors.
- The Management Committee members automatically receive the management summary (the full report is available on request).
- Audit reports are discussed by the Audit Committee in the presence of the Head of Internal Audit and the staff of the audited service concerned.

4.4 Internal Audit may on a decision of the Management Committee or the Audit Committee carry out ad-hoc assignments on specific issues. If necessary, the President of the Bank, or the Secretary General can commission such ad-hoc assignments, informing the Management Committee of their decision.

- 4.5 The Management Committee may ask the Head of Internal Audit to take on additional tasks, which are compatible with the provisions of this Charter. On this basis the following tasks are performed:
- Internal Audit currently monitors and reports on the implementation of the recommendations of certain other audit reports, notably those resulting from the work of the external auditors.
 - Internal Audit provides assistance to the Audit Committee in its oversight of the Bank's application of Best Banking Practices (BBP). Such assurance is provided by Internal Audit through the inclusion of specific work in the annual Audit Plan and the performance of controls' testing linked to the reference standards in individual audit assignments.
- 4.6 The Head of Internal Audit consults with the Audit Committee during the preparation of the annual audit plan and presents the approved annual audit plan to it. The Head of Internal Audit is heard regularly by the Audit Committee on issues related to the annual audit plan and audit reports. The President, or his delegate, is present at these discussions.
- 4.7 Internal Audit may use consultancy services on a selective basis to provide specialist support as a complement to the skills of permanent team members, particularly in technically complex or information technology areas. All assignments performed using consultancy support will be under the supervision of experienced Internal Audit staff. Such activity will be notified to the Management Committee and the Audit Committee in the Internal Audit Annual Report.

5. Relations with external audit bodies

- 5.1 Internal Audit coordinates its work with the external auditors appointed by the Bank in order to avoid duplication of effort and to provide maximum coverage of activities.
- 5.2 Where relevant Internal Audit may coordinate its work with other oversight bodies such as the European Court of Auditors.

6. Authority

Internal Audit is authorized unrestricted access to all relevant Bank's functions, policy statements, procedures, records, physical property, information technology resources and personnel as necessary for the accomplishment of its mission. Internal Audit is accountable for the safeguarding of assets and confidential information obtained in the course of its duties, and for appropriate compliance with the Bank's Data Protection policies and procedures.

Internal Audit is a staff function and the internal auditors have no authority over any of the activities reviewed or the personnel involved. The Head of Internal Audit will confirm to the Management Committee and the Audit Committee the organisational independence of the function on an annual basis in the Internal Audit Annual Report.

7. Professional standards

The Internal Auditors are expected to comply with the policy statements issued by the Bank, including the Code of Conduct. In addition the Internal Audit department will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance, which includes the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes

the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of Internal Audit's performance.

In particular, Internal Audit ensures that its objectivity is not adversely affected when it recommends standards of control for systems, or reviews procedures or capital projects while they are being implemented.

8. Quality Assurance and Improvement Programme

The Internal Audit department will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an assessment of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an assessment of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Head of Internal Audit will communicate to the President and the Audit Committee on the quality assurance and improvement programme, including results of periodic internal assessments, and the external assessment which is conducted at least every five years.



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