



**DECISION OF THE GOVERNING BOARD OF THE CLEAN SKY 2 JOINT UNDERTAKING  
ESTABLISHING AN INTERNAL AUDIT CAPABILITY AND APPROVING THE INTERNAL AUDIT  
CHARTER**

**THE GOVERNING BOARD,**

Having regard to the Council Regulation (EC) No 558/2014<sup>1</sup>, and in particular Article 8(2)(l) of the Statutes annexed thereto,

Having regard to the Financial Rules of the Clean Sky 2 Joint Undertaking, and in particular Article 28 thereof,

Whereas

- 1) The Governing Board of Clean Sky 2 Joint Undertaking ('Clean Sky 2 JU') should arrange, as appropriate, for the establishment of an Internal Audit Capability of the Clean Sky 2 JU and approve the internal audit charter;
- 2) The Governing Board should duly apply a cost effective, added value based solution;
- 3) The organisational independence of the Internal Audit Capability as required by the relevant international standards is safeguarded firstly by the direct reporting of the Internal Audit Capability to the Governing Board and secondly by the Clean Sky 2 JU implementing rules of the Staff Regulations applicable for the appraisal of the Internal Audit Capability<sup>2</sup>.

**HAS ADOPTED THIS DECISION:**

***Article 1***

An Internal Audit Capability (IAC) shall be established in the Clean Sky 2 JU, which shall perform its duties in compliance with the relevant international standards.

The Governing Board and the Executive Director shall ensure the regular monitoring of the implementation of the IAC's recommendations.

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<sup>1</sup> Council Regulation (EU) No 558/2014 of 6 May 2014 establishing the Clean Sky 2 Joint Undertaking (OJ. L. 169/77, 07.06.2014)

<sup>2</sup> Art. 3(2) of the Governing Board decision of 5 November 2015 laying down general provisions for implementing Article 43 of the Staff Regulations and implementing the first paragraph of Article 44 of the Staff Regulations for temporary staff. The provisions of Art. 3(2) relate to all staff reporting directly to the Executive Director.



### **Article 2**

The IAC function shall be executed by the Clean Sky 2 JU Internal Audit and Quality Management Officer. The Governing Board accepts the proposal of the Executive Director of Clean Sky 2 JU to assign the function to Bettina Dittmann.

### **Article 3**

The internal audit Charter of the IAC attached to this decision is approved by the Governing Board. It provides for a description of the purpose, authority and responsibility of the IAC.

### **Article 4**

This decision shall enter into force on the date following its adoption by the Governing Board.

Done in Brussels, 21/10/2016

For the Governing Board of the Clean Sky 2 JU,

*Ric Parker*

*Chairman of the Governing Board*



## **CHARTER OF THE INTERNAL AUDIT CAPABILITY**

### **CLEAN SKY 2 JOINT UNDERTAKING**

#### **I. INTRODUCTION**

The Clean Sky Joint Undertaking (Clean Sky JU or CSJU) was set up by Council Regulation (EC) No 71/2007 of 20<sup>th</sup> December 2007 as a public private partnership under the FP7 Programme.

For executing new tasks under the H2020 programme, a new Council Regulation, (EU) No 558/2014 of 6 May 2014, was adopted, setting up Clean Sky 2 Joint Undertaking (Clean Sky 2 JU or CSJU) succeeding and replacing the former JU. The old Regulation from the year 2008 was repealed and the lifetime of the JU extended to 31<sup>st</sup> December 2024.

The objective of Clean Sky 2 JU is to continue and finalise the implementation of the Seventh Framework Programme and to contribute to the execution of the H2020 programme in the field of Smart, Green and Integrated Transport, which form part of the Societal Challenges.

Detailed tasks are defined in the above Council Regulations. The members of the Clean Sky 2 JU are the European Commission, the Leaders and Core Partners of Integrated Technology Demonstrators (ITDs) and of the Innovative Aircraft Demonstrator Platforms (IADPs). Modalities and conditions governing the Community and the other Members' contribution to Clean Sky as well as mutual rights and obligations are defined in individual agreements between the Clean Sky 2 JU and its members<sup>1</sup>.

Under the first regulatory framework, CSJU had established its Internal Audit function as provided by Article 6.2, CS Council Regulation (EC) 71/2007, Article 11 of the Statutes and Article 72 of the Clean Sky Financial Rules by establishing the post of an Internal Audit Officer (IAO). Until end of 2015, the Internal Audit function was shared between the Internal Audit Service of the Commission and the Internal Audit Officer employed by CSJU.

Under the new Council Regulation setting up Clean Sky 2 JU, its Statutes and the Financial Rules for Clean Sky 2 JU, it is stipulated that the Internal Audit function of CSJU shall be performed by the Commission's Internal Auditor, i.e. the Internal Audit Service. In addition,

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<sup>1</sup> Delegation Agreement between the European Commission and the Clean Sky JU, Funding Agreement between the Clean Sky JU and its Members other than the European Community

the Financial Rules provide for the position of the Internal Audit Capability, which can be established either together with other JUs working in the same policy area or individually for the CSJU. The GB of CSJU has decided to establish individually the Internal Audit Capability for CSJU after due regard to cost effectiveness and added value, which shall be carried out by the Internal Audit and Quality Management Officer of the JU.

This charter sets out the mission, objectives, reporting and working arrangements essential to the proper fulfillment of the Internal Audit Capability function (IAC) in the interests both of the JU and of its members (EC and European industry).

Clean Sky 2 JU has based this charter on the previous Charter used by Clean Sky JU for its Internal Audit Officer, taking into account the relevant provisions of the Clean Sky 2 Financial Rules.

## **II. PURPOSE OF THE IAC**

### **1. MISSION AND OBJECTIVES**

The mission of the IAC is to advise the Clean Sky Joint Undertaking 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.

In particular he/she shall be responsible:

- a) for assessing the efficiency and effectiveness of the internal control system for implementing the CSJU operational programme by reference to the associated risks;
- b) for assessing the efficiency and effectiveness of the internal control system including the necessary audit activities applicable to every budget implementation operation.

The IAC provides independent, objective assurance and consulting services designed to add value and improve Clean Sky JU's operations.

Assurance is an objective examination of evidence. For assurance services the IAC will rely on risk-based planning, and conclusions should be provided in each assurance audit report.

Consulting services are advisory activities, without assuming management responsibility. Subject and scope of consultancy activities may be requested by the Executive Director or suggested by the IAC based on his/her assessment of residual risks.

Both assurance and consultancy services form part of the IAC's annual work plan and the strategic multiannual audit plan.

The primary **objective** of the IAO is to provide the Executive Director with assurance as to the effectiveness and efficiency of risk management, control, and internal governance processes in the JU, with special reference to the following aspects:

- risks are appropriately and continuously identified and managed;
- the control environment is set in line with appropriate ethical values
- significant financial, managerial, and operating information is accurate, reliable, and timely;
- the Clean Sky policies, decisions and procedures, the Clean Sky Internal Control Standards and the applicable laws and regulations are complied with;
- the objectives of the JU are achieved effectively and efficiently;
- assets and information are safeguarded
- information and communication is functioning effectively
- quality and continuous improvement are fostered in Clean Sky JU's control processes.

## **2. ACCOUNTABILITY**

The IAO shall be under the responsibility of the Governing Board and shall be accountable to the Governing Board and the Executive Director to:

- Provide the annual audit plan for approval to the GB
- provide information on the implementation of the annual audit plan to GB and Executive Director;
- submit to the Governing Board and the Executive Director an annual internal audit report setting out, inter alia, the number and type of internal audits conducted, the recommendations made and the action taken on these recommendations.<sup>1</sup>
- report to the GB and the executive Director on significant residual risk levels requiring immediate reinforcement or changes in the internal control system

While planning and executing his/her work programme, the IAC shall take due account of reports by the European Court of Auditors (ECA) and share information with other internal and external providers of relevant assurance and consulting services, such as the IAS, ex-post auditors, Clean Sky JU's Internal Control Coordinator, Clean Sky staff dealing with risk management, security management, in order to ensure proper coverage and minimise the duplication of efforts.

### 3. INDEPENDENCE AND OBJECTIVITY

No authority may interfere in the conduct of the IAC's work or ask the IAC to make any alterations to the content of audit reports<sup>2</sup>.

The IAC shall address and disclose any issue which in fact or appearance might impair his/her independence in determining the scope and planning of the audit activities, performing them and communicating their results, in his/her annual work plan, annual report and individual audit reports.

In order to ensure objectivity in opinions and avoid conflicts of interest, the IAO must preserve his/her independence in relation to the activities and operations he/she reviews<sup>3</sup>.

In the context of the annual reporting, the IAC needs to confirm his or her independence to the GB and highlight areas, in which the IAC may be biased due to involvement into management tasks. By default, in CSJU such areas will be the ex-post audit processes and the quality management of the JU, as they form part of the responsibility of the Internal Audit and Quality Management Officer.

### III. RESPONSIBILITY OF THE IAC

The IAC has a responsibility to the Executive Director and the Governing Board to:

- Develop and establish the IAC audit procedures, including a follow-up process.
- Decide on the basis of a dedicated risk assessment methodology on assurance and consultancy engagements, depending on the maturity of the JU's processes and the level of residual risks.
- Implement the strategic audit plan and the annual work plan, as agreed, including as appropriate any audits, special tasks or projects requested by the Executed Director.
- Ensure sufficient knowledge, skills and professional competence to meet the requirements of this Charter and the annual work plan in a effective manner.
- Develop and maintain a quality assurance programme that covers all IAC audit activities and continuously monitors its effectiveness. This programme may include periodic internal and external quality assessments and ongoing internal monitoring.
- Promptly validate his/her findings and related risks and discuss his/her recommendations with the auditee. The auditee's position should be reflected in the final report, particularly in the case of disagreement.
- Finalise audit and consultancy reports, under his/her own responsibility, without undue delay.

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<sup>2</sup> Refer to IIA standards on Independence and Objectivity 1100, 1110 and 1110.A1.

<sup>3</sup> Refer to IIA standards 1120 on Individual Objectivity and 1130 on Impairments to Independence or Objectivity.

- Effectively and timely communicate results of audit engagements (including both assurance and consulting) to the Executive Director and directly concerned management.
- Formally communicate in writing to the Governing Board where he/she believes that the Executive Director has accepted an unreasonably high level of risk.
- Respect confidentiality with regard to information gathered from the audit engagements performed.
- Disclose and explain any failing or inability to meet and comply with the requirements of this charter in the annual work plan and/or annual activity report.

In the context of relations with other services/institutions:

- Report any suspected fraudulent activities within the JU to the Executive Director or/and OLAF in accordance with the regulations in place.
- Ensure that the annual work plan and annual activity report of the IAC are sent to the Court of Auditors and take due account of control issues emanating from the Court's reports in the risk analysis and audit planning.

#### IV. AUTHORITY OF THE IAC

The IAC is authorised to:

Have unrestricted access to all functions, information systems, records, property, and personal data within the JU, as considered necessary for the fulfilment of his /her duties.

Obtain the necessary assistance of staff in all the units of the JU.

Allocate resources, select subjects, determine scopes of work, and apply the techniques required to accomplish audit and consultancy objectives.

Be informed at an early stage about the development of new systems and changes to existing systems that may substantially affect the JU's internal control system.

The IAC is not authorised to:

- Perform any operational duties for the JU<sup>4</sup>.
- Direct the activities of any staff member, except to the extent such staff members have been appropriately assigned to the IAC.

The IAC may be contacted by any matter related to the internal control system by each employee of CSJU.

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<sup>4</sup> For exception see last paragraph of chapter 3. Independence and Objectivity

**V. STANDARDS OF AUDIT PRACTICE**

The IAO will adhere to the *International Standards for the Professional Practice of Internal Auditing* as drawn up by the Institute of Internal Auditors. Such professional standards will be applied in accordance with regulations applicable to the CSJU staff. In the event of discrepancies, requirements originating from applicable EU regulations and CSJU decisions shall take precedence.



Internal Audit Capability



Executive Director

21 OCT. 2016

Dated