

EIB Group Charter for Internal Audit

June 2021



European
Investment
Bank Group

EIB Group Charter for Internal Audit

Adopted by the EIB Board of Directors on 12 May 2021 and the EIF Board of Directors on 21 June 2021.

Effective as from 21 June 2021.

Preamble

The Internal Audit Department (IA) of the EIB is responsible for the audit of the entities constituting the European Investment Bank Group (EIB Group); this applies to the performance of audits for the European Investment Bank (EIB or the Bank), the European Investment Fund (EIF or the Fund) and audits of EIB Group-wide interest. The provisions of this Group Internal Audit Charter (the Group IA Charter) apply *mutatis mutandis* for each entity, the EIB and EIF.

Following consultation of the EIB Audit Committee and the EIF Audit Board, the Group IA Charter was endorsed by the EIB Management Committee and the EIF Chief Executive/Deputy Chief Executive respectively and approved by the EIB Board of Directors on 12 May 2021 and the EIF Board of Directors on 21 June 2021.

The Group IA Charter replaces the former EIB and EIF Internal Audit Charters. The Group IA Charter will be reviewed every three years as a minimum.

The current version of this document is published on the websites of the EIB and of EIF respectively.

1. Mission and purpose

- 1.1. The purpose of IA is to provide independent, objective assurance and advisory services designed to add value and improve the EIB Group's operations. The internal audit activity helps the EIB Group accomplish its objectives by bringing a systematic, disciplined approach to assessing and improving the effectiveness of governance, risk management and internal control.
- 1.2. To this end, IA provides the management of the EIB Group's entities with assurances, analyses, agreed action plans or recommendations, counsel and information concerning the activities reviewed.

2. Scope of Internal Audit activities

- 2.1. The scope of internal audit activities encompasses, but is not limited to, objective examination of evidence aimed at providing independent assessments to the EIB Management Committee and to the EIF Chief Executive/Deputy Chief Executive on the adequacy and effectiveness of governance, risk management and control processes (*the assurance objective*).
- 2.2. Assessments by IA include evaluating whether the major risks related to all activities of the EIB Group entities are appropriately identified and managed, in particular that:
 - 2.2.1. Risk exposure relating to the achievement of the strategic objectives of the EIB Group and its respective entities is accurately identified, monitored and reported;
 - 2.2.2. The EIB Group entities' resources and assets are properly accounted for and safeguarded;
 - 2.2.3. Financial, operational, accounting and other data generated within the EIB Group entities and/or used for management purposes is accurate and reliable;
 - 2.2.4. Integrity, reliability, confidentiality and continuous availability of information systems is secured;
 - 2.2.5. Application of risk management procedures and methodologies and the functioning of internal controls are effective;
 - 2.2.6. Policies and procedures of the EIB Group and of EIB Group entities in relation to the above are adequate and complied with;
 - 2.2.7. Governance, operations and functions and activities of the EIB Group entities are performed efficiently and effectively.
- 2.3. IA may provide independent assessments, advice for improvements to processes and risk management that will advance the goals and objectives of the EIB Group and its respective entities and may participate in advisory activities such as taking part in working groups and committees (*the advisory objective*).

3. Authority

- 3.1. The Head of IA reports to the EIB President (the President) and functionally to the EIB Audit Committee and, as regards EIF stand-alone activities, to the EIF Audit Board. The Head of IA may also report to a mandated EIB Vice-President for specific matters, as requested by the President.
- 3.2. The President in his capacity of appointing authority is responsible for the appointment, replacement, reassignment and dismissal of the Head of IA. The EIB Audit Committee is consulted prior to decisions.

- 3.3. The EIB Management Committee (EIB MC) and the EIF Chief Executive (EIF CE) and/or his/her Deputy (EIF DCE), as necessary assure that IA has sufficient authority to fulfil its duties by:
 - 3.3.1. Endorsing, following consultation with the EIB Audit Committee and the EIF Audit Board, and submitting the Group IA Charter to EIB/EIF Board of Directors for final approval;
 - 3.3.2. Endorsing, before approval by the EIB Audit Committee/EIF Audit Board, the risk-based annual respective EIB and EIF Audit plans (see section 4);
 - 3.3.3. Approving the internal audit budget and resources available as disclosed in the annual respective EIB and EIF audit plans documentation.

- 3.4. The Head of IA may be requested to carry out advisory services or assurance audits that are not part of the approved audit plans (EIB and EIF) (together “ad-hoc assignments”). The authority to request these ad-hoc assignments is defined as follows:
 - 3.4.1. As it applies to EIB stand-alone activities, the request may be made by the EIB MC or the EIB Audit Committee; the President of the Bank or the Secretary General may also make the request (individually or together the “EIB Parties”);
 - 3.4.2. As it applies to EIF stand-alone activities, the EIF CE/DCE or the EIF Audit Board may make the request (individually or together the “EIF Parties”);
 - 3.4.3. As it applies to activities of common interest for both the EIB and the EIF (Group activities), EIB Parties may propose a review in consultation with EIF Parties and vice versa;
 - 3.4.4. The EIB (respectively EIF) Board of Directors can request, via the EIB Management Committee (respectively the EIF CE/DCE), that IA carry out an ad-hoc assignment as it applies to EIB (respectively EIF) activities, taking into consideration the impact of the approved risk-based annual audit plans;
 - 3.4.5. These ad-hoc assignments will be notified to all EIB and EIF Parties, as relevant.

- 3.5. The Head of IA has unrestricted access to, and may communicate and interact directly with the EIB Audit Committee and/or the EIF Audit Board. The Head of IA may request private sessions with either of these two committees.

- 3.6. IA has unrestricted access within the EIB Group to all relevant functions, policy statements, procedures, records, physical property, information technology resources, personnel and any other resources, as necessary for the accomplishment of its mission.

4. Responsibility

- 4.1. The Head of IA is responsible for:
 - 4.1.1. Managing the internal audit activity appropriately, in line with the Internal Audit Procedures Manual, which is updated on an annual basis;
 - 4.1.2. Ensuring conformance with:
 - 4.1.2.1. The Institute of Internal Auditors (the IIA) Standards, which is a set of principles-based, mandatory requirements consisting of i) statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organisational and individual levels and ii) interpretations clarifying terms or concepts within the Standards; and
 - 4.1.2.2. Relevant regulatory requirements applicable to the EIB's audit function as best banking practice (BBP) and applicable to EIF audits as best market practice (BMP).
- 4.2. The Head of IA prepares on an annual basis an EIB audit plan and an EIF audit plan based on a risk-assessment methodology.
- 4.3. The audit plans include areas of mutual relevance to both the EIB and the EIF (EIB Group audits).
- 4.4. The Head of IA reports semi-annually to the EIB MC, the EIF CE/DCE, the EIB Audit Committee and the EIF Audit Board on their audit plans execution and ongoing appropriateness thereof.
- 4.5. The EIB and EIF audit plans are prepared by IA and endorsed by the EIB MC and the EIF CE/DCE, in consultation with the EIB and EIF senior management as well as the EIB and EIF external auditors. They are subsequently submitted for approval to, respectively, the EIB Audit Committee and the EIF Audit Board.
- 4.6. When necessary, IA may use consultancy services on a selective basis to provide specialist support, particularly in technically complex and/or information technology areas. All assignments performed using consultancy support will be under the supervision of experienced IA staff members. Such activity will be notified in the respective EIB and EIF annual Internal Audit Activity Reports to the parties as described under 4.11.
- 4.7. The Head of IA reports on IA findings including all significant weaknesses, shortcomings or inefficiencies, and includes agreed action plans or recommendations to improve control and working procedures.

- 4.8. The Head of IA communicates the results of IA work in audit reports, which include recommendations or agreed action plans. IA audit reports are issued to:
- 4.8.1. As it applies to the Bank, the President, Vice-President(s) with oversight of the activity covered, as applicable, the Secretary General, the Directorates concerned, the EIB Audit Committee and the external auditors. The EIB MC members receive the management summary (the full report is available upon request).
 - 4.8.2. As it applies to the EIF, the Chairman of the Board of Directors, the EIF CE/DCE, the Secretary General, the Services concerned, the EIF Audit Board and the external auditors.
- 4.9. The Head of IA presents the audit reports to the EIB Audit Committee and the EIF Audit Board as relevant. The audit reports issued at Group level are discussed at the respective EIB Audit Committee and EIF Audit Board meetings or when relevant, during joint meetings of the EIB Audit Committee and the EIF Audit Board.
- 4.10. The Head of IA reports on a quarterly basis on the progress made and corrective actions taken on agreed action plans to:
- 4.10.1. As it applies to the Bank, the EIB MC, the Secretary General, all Directorates, the EIB Audit Committee and the external auditors;
 - 4.10.2. As it applies to EIF, the Chairman of the Board of Directors, the EIF CE/DCE, the Secretary General, the EIF Audit Board and the external auditors.
- 4.11. The Head of IA reports on audit activities performed through annual Activity Reports (one for the EIB and one for the EIF) issued to:
- 4.11.1. As it applies to the Bank, the Board of Directors, the EIB MC, the Secretary General, the EIB Audit Committee and the external auditors;
 - 4.11.2. As it applies to EIF, the Chairman of the Board of Directors, the EIF CE/DCE, the EIF Secretary General, the EIF Audit Board and the external auditors.
- 4.12. The Head of IA provides a high-level summary of IA reports through quarterly Strictly Confidential Synthesis Reports (one for the EIB and one for the EIF) issued to:
- 4.12.1. As it applies to the Bank, the EIB Board of Directors, the EIB Management Committee, the EIB Audit Committee, the Secretary General and the external auditors;
 - 4.12.2. As it applies to EIF, the EIF Board of Directors, the EIF CE/DCE, the EIF Audit Board, the EIF Secretary General and the external auditors.

- 4.13. The EIB MC or the EIF CE/DCE may ask the Head of IA to take on additional tasks, which are compatible with the provisions of the Group IA Charter. On this basis the following tasks may be performed:
- 4.13.1. IA reports on the implementation of the recommendations of certain other audit reports, notably those resulting from the work of the external auditors;
 - 4.13.2. IA reviews the application of BBP (for EIB) and BMP (for EIF) as relevant. IA provides such assurance through the inclusion of specific work in the annual audit plans and the performance of controls testing linked to the reference standards in individual audit assignments;
 - 4.13.3. IA reviews the Internal Control Framework (ICF) prepared by EIB and EIF through the performance of controls testing in individual audit assignments, as relevant. In addition, IA reviews on an annual basis the ICF prepared by the EIF. IA responsibility, related to the EIF ICF, is to express an opinion on the design, implementation and operating effectiveness of the internal controls in the areas audited during the year in line with the approved EIF Internal Audit plan.
- 4.14. IA coordinates its work with the appointed external auditors of EIB and EIF in order to avoid duplication of work and to provide maximum coverage of activities.
- 4.15. IA is accountable for the safeguarding of assets and confidential information obtained in the course of its duties, and for compliance with the EIB Group's Data Protection policies and procedures.
- 4.16. Audit reports are classified as Confidential or Strictly Confidential documents and are not disclosed except to the relevant parties listed under 4.8. The respective EIB and EIF Boards of Directors receive a quarterly Strictly Confidential Synthesis Report (one for the EIB and one for the EIF) summarising IA reports (see 4.12).
- 4.17. Regarding the exchange of information and documents, including between the EIB and the EIF:
- 4.17.1. All documents from the EIB or the EIF relating to internal audit that are currently available to all EIB and/or all EIF staff shall be made accessible to both EIB and EIF staff, such as the annual audit plan;
 - 4.17.2. IA will not divulge without the written consent of the EIB or the EIF any information identified as confidential by the EIB or EIF to the other party, and will allow access to such confidential information by its own staff only on a need-to-know basis;
 - 4.17.3. Reports on Group audits are made available to both EIB and EIF parties listed under 4.8, including those findings that apply exclusively to one or the other party;
 - 4.17.4. In the event that disclosure to any third party other than those listed under 4.8 appears necessary, IA will consult the EIB MC and the EIF CE/DCE with a view to agreeing on a suitable solution taking into account their respective policies on access to information.

5. Independence and objectivity

- 5.1. IA staff members and external service providers working under IA's responsibility shall have no management or operational authority over any of the activities audited.
- 5.2. IA ensures that its objectivity is not adversely affected when it recommends standards of control for systems, or reviews procedures or projects while they are being implemented.
- 5.3. The Head of IA confirms in the respective EIB and EIF annual Activity Reports, which are distributed to the parties listed under 4.11.1 and 4.11.2, the organisational independence of the function. If independence or objectivity is impaired in fact or appearance, the Head of IA will promptly disclose the details of the impairment to the EIB MC and the EIB Audit Committee, and, in case the impairment originates from or is related to the EIF in any manner, to the EIF CE/DCE and the EIF Audit Board.
- 5.4. IA may be involved in representation activities through the participation as members or as observers in a variety of committees such as the IT Steering Committee or the Controls and Compliance Committee. IA ensures an appropriate balance between providing assistance and advice in joint-service initiatives and the need to maintain a level of independence and objectivity.
- 5.5. The Head of IA may upon his/her request participate as an observer in meetings of relevant governing bodies of the EIB Group entities.

6. Quality assurance/improvement programme

- 6.1. IA 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 conformance of IA activity with the IIA Definition of Internal Auditing and the IIA Standards and an assessment of whether internal auditors apply the IIA Code of Ethics. The programme also assesses the efficiency and effectiveness of IA activities and identifies opportunities for improvement.
- 6.2. The Head of IA will communicate to the EIB MC and to the EIF CE/DCE 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. The Head of IA will also communicate on the quality assurance and improvement programme in the respective EIB and EIF annual Activity Reports that are distributed to parties listed under 4.11. In this respect, the Head of IA will report on the internal audit activity's conformance with the IIA Code of Ethics and the IIA Standards.

7. International Standards for the Professional Practice of Internal Auditing

IA will adhere to The Institute of Internal Auditors' guidance, which includes the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This 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.

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