



# CERN Internal Audit Charter

## Purpose and Mission

1. The purpose of CERN's internal audit service (IAS) is to provide independent, objective assurance and consulting services designed to add value and improve the operations of CERN<sup>1</sup>. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IAS helps CERN accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
2. In addition to its primary mission to perform internal audit activities, the IAS is in charge of fraud investigations pursuant to Operational Circular 10 "Principles and procedures governing investigation of fraud".

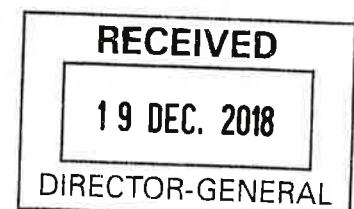
## Standards for the Professional Practice of Internal Auditing

3. The IAS will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of IAS will report periodically regarding the IAS's conformance to the Code of Ethics and the Standards.

## Authority

4. The Head of IAS will report administratively and functionally to the Director-General, and functionally to the CERN Audit Committee.
5. In addition, pursuant to Article I 2.02 of the Rules of the CERN Pension Fund (PF) regarding the operational autonomy of the PF within CERN and Article I 5.03 concerning the IAS activity at the PF, the Head of IAS will report functionally to the Pension Fund Governing Board (PFGB).
6. To establish, maintain, and assure that CERN's IAS has sufficient authority to fulfil its duties, the Director-General will:
  - Approve the IAS's charter, together with the Audit Committee and the PFGB.
  - Approve the risk-based internal audit plan prepared by the IAS, as reviewed by the Audit Committee, excluding the planned internal audit activities related to PF which shall be approved by the PFGB.
  - Approve the IAS's budget and resource plan.
  - Decide on the appointment and removal of the Head of IAS after consultation of the Audit Committee.
  - Approve the remuneration of the Head of IAS.
  - Make appropriate inquiries of Management and the Head of IAS to determine whether there is inappropriate scope of activities and/or resource limitations.
7. The Head of IAS will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in private meetings without Management present.
8. The Director General and the Chair of the PFGB authorize the IAS to:
  - Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
  - Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
  - Obtain assistance from the necessary personnel of CERN, as well as other specialized services from within or outside CERN, in order to complete the engagement.

<sup>1</sup> For the purpose of this charter, the term CERN means the whole Organisation including its Pension Fund



## Independence and Objectivity

9. The Head of IAS will ensure that the IAS remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of IAS determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.
10. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.
11. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
  - Assessing specific operations for which they had responsibility within the previous year.
  - Performing any operational duties for CERN or its affiliates.
  - Initiating or approving transactions external to the IAS.
  - Directing the activities of any CERN employee not employed by the IAS, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
12. Where the Head of IAS has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
13. Internal auditors will:
  - Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
  - Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
  - Make balanced assessments of all available and relevant facts and circumstances.
  - Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
14. The Head of IAS will confirm to the Audit Committee, at least annually, the organizational independence of the IAS.
15. The Head of IAS will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## Scope of Internal Audit Activities

16. The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Director-General, Management and the PFGB as appropriate, on the adequacy and effectiveness of governance, risk management, and control processes at CERN.
17. Internal audit assessments include evaluating whether:
  - Risks relating to the achievement of CERN's strategic objectives are appropriately identified and managed.
  - The actions of CERN's officers, directors, employees, and contractors are in compliance with CERN's policies, procedures, applicable laws, regulations, and governance standards.
  - The results of operations or programs are consistent with established goals and objectives.
  - Operations or programs are being carried out effectively and efficiently.
  - Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact CERN.
  - Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
  - Resources and assets are acquired economically, used efficiently, and protected adequately.
18. The Head of IAS will report periodically to the Director-General and to the PFGB as appropriate and the Audit Committee regarding:
  - The IAS's purpose, authority, and responsibility.
  - The IAS's plan and performance relative to its plan.
  - The IAS's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.

- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Director-General and the PFGB as appropriate.
  - Results of audit engagements or other activities.
  - Resource requirements.
  - Any response to risk by Management that may be unacceptable to CERN.
19. The Head of IAS also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The IAS may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the IAS does not assume management responsibility.
20. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of Management.

## Responsibility

21. The Head of IAS has the responsibility to:
- Submit, at least annually, to the Director-General and to the PFGB as appropriate a risk-based internal audit plan, as reviewed by the Audit Committee, for review and approval.
  - Communicate to the Director-General and to the PFGB as appropriate and the Audit Committee the impact of resource limitations on the internal audit plan.
  - Review and adjust the internal audit plan, as necessary, in response to changes in CERN's business, risks, operations, programs, systems, and controls.
  - Communicate to the Director-General and to the PFGB as appropriate and the Audit Committee any significant interim changes to the internal audit plan.
  - Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope of the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing outcomes, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
  - Follow up on engagement findings and corrective actions, and report periodically to the Director-General and to the PFGB as appropriate any corrective actions not effectively implemented.
  - Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
  - Ensure the IAS collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
  - Ensure trends and emerging issues that could impact CERN are considered and communicated to the Director-General and to the PFGB and to the Audit Committee, as appropriate.
  - Ensure emerging trends and successful practices in internal auditing are considered.
  - Establish and ensure adherence to policies and procedures designed to guide the IAS.
  - Ensure adherence to CERN's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to the Director-General and to the PFGB as appropriate and the Audit Committee.
  - Ensure conformance of the IAS with the Standards.

## Quality Assurance and Improvement Programme

22. The IAS will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the IAS's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IAS and identify opportunities for improvement.
23. The Head of IAS will communicate to the Director-General and the Audit Committee on the IAS's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside CERN.


### Relationship with the CERN Audit Committee

24. The relationship of the Internal Audit Service with the CERN Audit Committee is defined in the CERN Audit Committee's Terms of Reference<sup>2</sup>.

### Review of the Charter

25. The Charter is periodically reviewed and approved by the Director-General, the Audit committee and the PFGB, following the proposal of the Head of Internal Audit.


#### Approval/Signatures

  
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Head of IAS

20.11.2018

Date

  
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Audit Committee Chair

20.11.2018

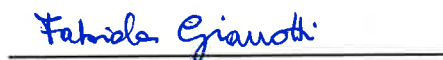
Date

  
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PFGB Chair

12.12.2018

Date

  
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Director-General

18.12.2018

Date

<sup>2</sup> CERN/3296/RA ; Terms of reference for a CERN Audit Committee ; 1 March 2017