CERN Internal Audit Charter

As provided for in Article 20 of the Financial Rules\(^1\), the Director-General has established the Internal Audit Service (IAS) which is part of the Organization’s audit structure.

This charter, approved by the Director-General, constitutes the framework for the functioning of the IAS.

Mission

1. The IAS, in accordance with the Institute of Internal Auditors’ definition of internal auditing\(^2\), provides an independent and objective assurance\(^3\) and consulting activity designed to add value and improve the operations of CERN. It helps the Organization accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of its risk management, control and governance processes.

2. In addition, the IAS is in charge of fraud investigations (cf. Operational Circular 10 “Principles and procedures governing investigation of fraud”).

3. For the execution of its mission, the IAS adheres to the Institute of Internal Auditors’ (IIA) mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

Independence

4. The IAS reports to the Director-General in an independent and objective way.

5. The IAS has no authority or responsibility over any of the activities audited. It has no responsibility for developing or implementing controls, procedures or systems, or engaging in any other activity that may impair the internal auditor’s judgement.

Authority and confidentiality

6. The IAS has unrestricted and prompt access to all personnel, functions, premises, assets, data and information that the Head of Internal Audit considers necessary to enable the IAS to execute its mission.

7. Where necessary, the Director-General decides on the access requested by the Head of Internal Audit.

8. All records and information accessed in the context of the internal audit activities are to be used solely for the conduct of these activities. All internal auditors are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work and for safeguarding records and information.

9. Upon request of the IAS, all members of personnel shall provide the requested assistance.

10. The Director-General may authorise the IAS to request assistance and information from services outside the Organization, in the context of its engagements.

Scope of work

11. The assurance and consulting activities of the IAS cover all CERN’s projects, programmes and activities except for the operations of the CERN Pension Fund.

12. The assurance and consulting activities of the IAS cover associated entities (e.g. collaborations and suppliers) to which CERN entrusts part of its assets (material, financial or reputational).

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\(^1\)CERN/2822/Rev. - CERN Financial rules

\(^2\)https://global.theiia.org/standards-guidance/mandatory-guidance/

\(^3\)Assurance is the objective examination of evidence for the purpose of providing an independent assessment.
13. Fraud investigations cover the activities of any person working at or on behalf of CERN including the Pension Fund.

**Types of internal audit engagements**

14. IA’s activities encompass the following types of engagements:

   **Assurance engagements**
   The IAS evaluates risk exposures relating to the Organization’s risk management, control and governance processes and provides assurance to the Management on the adequacy and effectiveness of control measures in responding to these risks. These engagements may take the form of full audits or focused checks of internal control in selected areas.

   **Consulting engagements**
   The IAS may engage in consulting activities, the nature and scope of which are agreed with the requesting unit, in order to improve the Organization’s risk management, control and governance processes. Consulting activities include counsel, advice, facilitation and training.

   **Investigation of fraud cases**
   The IAS is responsible for fraud investigations and the Head of Internal Audit ensures that the investigations comply with Operational Circular 10.

15. In the context of these engagements, as defined by the IAS and as the case may be, the IAS evaluates:

   - Compliance with the Organization’s policies, plans, procedures, rules and regulations, as well as any applicable rules which could have a significant impact on the Organization.

   - The means of safeguarding assets.

   - The effectiveness and efficiency with which resources are employed.

   - Operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

   - The reliability and integrity of operational and financial information and the means used to identify, classify, and report such information.

   - Risk exposure relating to the achievement of the Organization’s strategic objectives.

16. In cases where assurance originates from other internal providers of assurance (e.g. safety audits performed by HSE unit), the IAS assesses the reliability of the processes by which such assurance is provided.

17. The IAS may use external service providers where specialised knowledge, skills, experience or simply additional resources are needed to fulfil its responsibilities. External service providers include accountants, environmental specialists, fraud investigators, information technology specialists or experts.

18. As a result of these engagements, the IAS issues recommendations for corrective action to remedy the weaknesses identified. These recommendations are communicated to the appropriate level of Management, which is responsible for designing an action plan. This action plan is submitted to the IAS for comments, prior to its submission to the Director-General for approval.

19. In fine the Director-General decide on the appropriate course of action to be taken.

20. The IAS follows up Management’ actions taken in response to its recommendations. All recommendations remain pending until resolved.
General reporting responsibilities

The Head of Internal Audit submits to the Director-General the following documents:

21. An annual programme of work, including an audit plan, for review and approval. The audit plan is developed using an assessment and prioritization of risks, using the input from Senior Management, the External Auditors and the Standing Advisory Committee on Audits (SACA).

22. An annual report of the activities of the IAS.


25. Periodic reports on the IAS’ quality assurance and improvement program me in particular on the results of the external independent assessment of internal audit activity, to be arranged at least every five years.


Relationship with the External Auditors

27. The IAS coordinates with the CERN External Auditors in order to ensure the adequacy of CERN’s overall audit coverage and to minimise duplication of audit effort.

28. The IAS provides access to the External Auditors, on their request, to all CERN documents necessary for the execution of their mandate.

Relationship with the Standing Advisory Committee on Audits

29. The relationship of the Internal Audit Service with SACA is defined in SACA’s Terms of Reference.⁴

Review of the Charter

30. The Charter is periodically reviewed and approved by the Director-General following the proposal of the Head of Internal Audit, after consulting with the SACA.

This Charter has been approved by the Director-General, following consultation with SACA.

Director-General

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⁴ CERN/2863/Rev. – SACA Terms of reference