

## DECISION 23/2021 OF THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)

### ON THE CHARTER OF THE AUDIT COMMITTEE AND ON THE APPOINTMENT OF CHAIRPERSON FOR THE EIT AUDIT COMMITTEE

#### THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY,

Having regard to Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (hereinafter referred to as the "EIT Regulation")<sup>1</sup>, as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013<sup>2</sup>, and in particular to Section 2 (I) of the Statutes annexed to the EIT Regulation (hereinafter referred to as the "Statutes")<sup>3</sup>;

Having regard to the Decision of the Governing Board of the EIT of 17 September 2014 adopting the Charter of the EIT Audit Committee<sup>4</sup>;

Having regard to Decision 16/2016 of the Governing Board of the EIT of 2 June 2016 on the renewal of the mandate of the Audit Committee<sup>5</sup> and Decision 36/2016 of the Governing Board of 8 December 2016 on the renewal of the mandate of the Audit Committee<sup>6</sup>;

Having regard to the Decision of the Governing Board of the EIT of 7 June 2018 adopting the revised Charter of the EIT Audit Committee<sup>7</sup>;

Whereas:

- (1) Section 2 (I) of the Statutes stipulates that the Governing Board can establish, where appropriate, advisory groups which may have a defined duration.
- (2) In order to support the Governing Board for strengthening the basis on which the Governing Board performs oversight regarding audit follow-up and to improve the quality of reporting to the Governing

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<sup>1</sup> OJ L 97 of 9.4.2008, p. 1.

<sup>2</sup> OJ L 347 of 20.12.2013, p. 174.

<sup>3</sup> Publication of the new EIT Regulation in the Official Journal is foreseen in May 2021: it shall enter into force on the day of its publication. It shall be applied from the day of the publication, with the exceptions indicated in Article 28 which shall apply from 1 January 2021. Latest version is available from 12 February 2021 (6062/21)

<sup>4</sup> 01900.EIT.2014.I.GB

<sup>5</sup> 01049.EIT.2016.I.GB.40

<sup>6</sup> 00G397.EIT.2016.I.GB.40

<sup>7</sup> Decision 20/2018, ref. 03128.EIT.2018.I.GB51

Board, an Audit Committee was established by the Decision of the Governing Board as advisory group to the Governing Board.

- (3) The Governing Board defined the Audit Committee's role, composition, responsibilities and terms of office in the Charter of the EIT Audit Committee.
- (4) Two members of the EIT Governing Board were appointed by the Governing Board as members of the Audit Committee for a term of office running for two years. In addition, the Director responsible for supervising the EIT's budget implementation at Directorate-General Education and Culture (currently: Directorate C), may attend the meetings of the Audit Committee as an observer from the European Commission.
- (5) At the meeting of the Governing Board of 23 November 2017, the European Commission Directorate-General Education and Culture proposed strengthening the EIT Audit Committee with its Director responsible for the EIT as a full member of the Audit Committee contrasted with the Director's current status of observer to the Audit Committee. The risk of incurring conflict of interest has been highlighted if DG EAC's representative had to be a member with voting rights. Since this would be a major disadvantage, and in order to avoid it, DG EAC agreed with the proposal of maintaining the status quo, namely to remain observer in the Audit Committee, as had been the case previously. However, DG EAC requested<sup>8</sup> an amendment on 18/05/2018. Namely, instead of being appointed 'ad personam', DG EAC's representative should be appointed as "representing the Partner Directorate General".
- (6) The role, the composition and the responsibilities of the Audit Committee, as well as the term of office, shall be laid down in the Charter of the Audit Committee.
- (7) The EIT Governing Board adopted the current Charter of the EIT Audit Committee on 7 June 2018<sup>9</sup>.
- (8) The Charter of the Audit Committee provides that the Governing Board shall evaluate the work of the Audit Committee and the implementation of the Charter before extending the duration. The Governing Board concluded that the Audit Committee successfully assisted the Governing Board in fulfilling its obligations by ensuring that the work of the European Court of Auditors, the Internal Audit Service of the Commission and the Internal Audit Capability is properly taken into account by the EIT and receives appropriate follow-up and that the Audit Committee successfully fulfilled its general responsibilities. Therefore, the Governing Board appointed Ms Laima Kauspadiene and Ms Martina Larkin as members of the EIT Audit Committee on 30 October 2020<sup>10</sup>.
- (9) Recommendation No 1 of the External Quality Assessment<sup>11</sup> of Internal Audit Capability implied to "consider to discuss with Governing Board and Audit Committee the upgrade of the maturity of the Audit Committee Charter in line with IIA Standards/Templates/international practices and consider diversification of skills/expertise of members of AC, especially in auditing, IT, security, project management by increasing the involvement of external experts (science /finance/economics/auditing/project management, for example from other EU Agencies and Academies of Science from EU Member States.)"

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<sup>8</sup> Note of the DG EAC Director C DG EAC.C to the Secretary of the Audit Committee, Ref. Ares(2018)2606617 of 18/05/2018  
<sup>9</sup> Decision 20/2018, ref. 03128.EIT.2018.I.GB51

<sup>10</sup> Decision of the GB No 23/2020 (Ares(2020)7748352 – 18/12/2020)

<sup>11</sup> Final report dated 24 September 2020

(10) The EIT Audit Committee discussed recommendation No 1 of the External Quality Assessment and discussed the upgrade of the maturity of the Audit Committee Charter at its first meeting with the new composition held on 5 November 2020. The Audit Committee discussed at its meeting of 23 February 2021 the proposed new Charter and took into account comments received from DG EAC and the European Commission's Internal Audit Service.

(11) The EIT Audit Committee proposed that the Governing Board adopts a new charter revised based on the model audit committee charter promulgated by the Institute of Internal Auditors and the addition of a third, Audit Committee member and the appointment of Ms Martina Larkin as Chair of the Audit Committee.

HAS DECIDED AS FOLLOWS:

**Article 1**

The revised Charter of the EIT Audit Committee, as attached in the annex, is hereby adopted.

**Article 2**

The Decision of the Governing Board of the EIT of 7 June 2018 adopting the Charter of the EIT Audit Committee is hereby repealed.

**Article 3**

Ms Martina Larkin is appointed as Chair of the EIT Audit Committee.

**Article 4**

In accordance with article 3 of this decision and with the revised charter of the EIT Audit Committee, two members of the Governing Board shall be appointed as member of the EIT Audit Committee. The Governing Board shall appoint a third Audit Committee member at a later date.

**Article 5**

This decision shall enter into force on the date of its signature.

Done in Budapest, 17 June 2021

Gioia Ghezzi  
Chairperson of the Governing Board



## ANNEX to Decision 23/2021 of the Governing Board of the EIT

### Charter of the EIT Audit Committee

Text replaced:

IIA model audit committee charter text	EIT Audit Committee charter text
Organisation	EIT
Audit Committee/committee	AC
Governing Board/governing body	GB
Chief executive officer (CEO)	Director
Chief financial officer (CFO)	Director
Person responsible for managing the external audit relationship	Head of Director's Office
Senior management	Director
Chief audit executive (CAE)	Director General for IAS and Head of IAC for IAC

### Organizational Principles

#### Introduction

The Audit Committee (hereinafter: AC) plays an important role in providing oversight of the EIT's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The AC performs its role by providing independent oversight to the Governing Board (hereinafter: GB).

#### Purpose

The purpose of the AC is to provide a structured, systematic oversight of the EIT's governance, risk management and internal control practices. The AC assists the GB and management by providing advice and guidance on the adequacy of the EIT's initiatives for:

- Values and ethics.
- Governance structure.
- Risk management.
- Internal control framework.
- Oversight of the internal audit activity, external auditors, and other providers of assurance.
- Financial statements and public accountability reporting.

In broad terms, the AC reviews each of the items noted above and provides the GB with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

## Authority

The AC charter sets out the authority of the AC to carry out the responsibilities established for it by the GB as articulated within the AC Charter. In discharging its responsibilities, the AC will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The AC also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the AC will escalate the issue to the GB for resolution of the matter. The AC is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The EIT's management and staff should cooperate with AC requests. The AC may engage independent counsel and/or other advisors it deems necessary to carry out its duties. The AC is empowered to propose adoption by the GB of all internal audit plans of the IAC.

## Composition of the AC

The GB will appoint 3 AC members, including its Chairperson. At least two out of the three appointed AC members shall be EIT GB members<sup>12</sup>. In addition, the Director responsible for supervising the EIT's budget implementation at Directorate-General Education, Youth, Sport and Culture, may attend the meetings of the AC as an observer from the European Commission. The observer from DG EAC represents the European Commission in the AC and this role may be delegated. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the AC evolve in response to regulatory, economic and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the AC in response to emerging needs.

## The Chairperson of the AC

The GB will designate the chairperson of the AC. In case of appointment of an independent AC member, s/he shall not become the chairperson of the AC.

## Terms of Office

The term of office for an AC member is 2 to 4 years, renewable. Continuance of AC members will be reviewed annually. To ensure continuity within the AC, the appointment of members should be staggered.

## Consensus

The AC members will strive for a consensus. In case of disagreements, position of all members must be recorded in the minutes.

## Operational principles

### Communications

The AC expects that all communication with management and staff of the EIT as well as with any external assurance providers will be direct, open, and complete.

### Work Plan

The AC chairperson will collaborate with the Director and the Head of IAC to establish a work plan to ensure that the

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<sup>12</sup> One of the 3 AC members may be appointed considering an external candidature, provided that s/he possess sufficient knowledge of audit, or finance, or law, or governance, or risk, or control or any other relevant field.

responsibilities of the AC are scheduled and will be carried out.

### **Meeting Agenda**

The chair will establish agendas for AC meetings in consultation with AC members, the Director and the Head of IAC.

### **Information Requirements**

The AC will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. The draft agenda and information will be provided to the AC at least one week prior to each AC meeting.

### **Executive Sessions**

The AC will schedule and hold, if necessary, a private (bilateral) session with the Director, or the Head of IAC, or the observer of the European Commission, or external assurance providers such as the Internal Audit Service, and with any other officials that the AC may deem appropriate at each of its meetings.

### **Preparation and Attendance**

AC members are obligated to prepare for and participate in AC meetings. The observer of the European Commission, the EIT Director and the Head of IAC shall attend the meetings of the AC. The IAS will be provided with a standing invitation to participate.

### **Conflict(s) of Interest and Values**

AC members should adhere to the EIT's Code of Good Conduct on conflict of interest of the EIT GB Members and any values and ethics established by the EIT. The AC expects that management and staff of the EIT will adhere to the EIT Code of Good Conduct applicable to them. It is the responsibility of AC members to disclose any conflict of interest or appearance of a conflict of interest to the AC. If there is any question as to whether AC member(s) should recuse themselves from a discussion, the AC should vote to determine whether the member should recuse himself or herself.

### **Orientation and Training**

AC members will receive formal orientation training on the purpose and mandate of the AC from its secretary and on the EIT's objectives from the Director's Office.

### **Operational Procedures**

#### **Meetings**

The AC will meet at least two times annually or more frequently as the AC deems necessary.

#### **Minutes**

Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at the latest two weeks after the AC meeting. The minutes of the meetings shall be distributed to the Chairman of the GB, to the European Commission observer and to the EIT Director.

#### **Required Attendance**

The Director and the Head of IAC are required to attend all AC meetings, unless the AC decides to hold private sessions without (one of) them.

### Secretariat Services

The Head of IAC will facilitate and coordinate meetings as well as provide ancillary support to the AC, as time and resources permit.

### Remuneration of AC Members

AC members will be remunerated and receive reimbursement for their expenses in line with provisions established by the EIT Governing Board.

### Responsibilities

It is the responsibility of the AC to provide the GB with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the EIT:

### Values and Ethics

To obtain reasonable assurance with respect to the EIT's values and ethics practices, the AC may:

- Review and assess the policies, procedures, and practices established by the GB to monitor conformance with its code of conduct and ethical policies by all managers and staff of the EIT.
- Provide oversight of the mechanisms established by management to establish and maintain high ethical standards for all of the managers and staff of the EIT.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

### Organizational Governance

To obtain reasonable assurance with respect to the EIT's governance process, the AC may review and provide advice on the governance process established and maintained within the EIT and the procedures in place to ensure that they are operating as intended.

### Risk Management

To obtain reasonable assurance with respect to the EIT's risk management practices, the AC will:

- Annually review the EIT's risk profile.
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Director and the GB.
- Provide oversight of the adequacy of the combined assurance being provided.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

### Fraud

To obtain reasonable assurance with respect to the EIT's procedures for the prevention and detection of fraud, the AC will:

- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the entity has appropriate anti-fraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

- Supervise the EIT's efforts to monitor the conception and implementation of sound anti-fraud strategies among beneficiaries of EIT grants.

### Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of the EIT's controls in responding to risks within the EIT's governance, operations and information systems, the AC may:

- Consider the effectiveness of the EIT's control framework, including information technology security and control.
- Review and provide advice on the control of the EIT as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to the Director and the GB.

### Compliance

The AC will review the observations and conclusions of internal and external auditors and any other assurance providers and the findings of any regulatory bodies. Furthermore, the AC may:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the process for communicating the code of conduct to the EIT's personnel and for monitoring compliance.
- Obtain regular updates from management and the EIT's legal counsel regarding compliance matters.

## Oversight of the Internal Audit Activity and External Auditors

### Internal Audit Activity

To obtain reasonable assurance with respect to work of the internal audit activity performed by the EIT IAC. The AC shall guarantee the independence of the Internal Audit Capability and will provide oversight related to:

#### *Internal Audit Charter and Resources*

- Advise the GB for the review and approval of the internal audit charter at least every three years. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority and responsibility, consistent with the mandatory guidance of The IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management and governance processes of the EIT and reflects developments in the professional practice of internal auditing.
- Advise the GB about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through in- or outsourcing.

#### *Head of IAC Performance*

- Advise the GB regarding the qualifications and recruitment, appointment and removal of the Head of IAC.
- Provide input to management related to evaluating the performance of the Head of IAC.

#### *Internal Audit Strategy and Plan*

- Review and provide input on the internal audit activities multi-annual strategic plan, objectives, performance measures, and outcomes.



- Review and advise the GB for the approval of the proposed risk-based annual internal audit plan and make recommendations concerning internal audit projects.
- Review and advise the GB for the approval the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

#### *Internal Audit Engagement and Follow Up*

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the results of internal audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the Head of IAC whether any internal audit engagements or non-audit engagements have been completed but not reported to the AC; if so, inquire whether any matters of significance arose from such work.
- Inquire of the Head of IAC whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

#### *Standards Conformance*

- Inquire of the Head of IAC about steps taken to ensure that the internal audit activity conforms with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
- Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the AC.
- Ensure that the internal audit activity has an external quality assurance review every five years.
- Review the results of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the GB about any recommendations for the continuous improvement of the internal audit activity.

#### **External Auditors**

To obtain reasonable assurance with respect to work of the external assurance providers, the AC may:

- Monitor management's progress on action plans stemming from external audit recommendations and from observations of the discharge authority.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the AC will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.

#### **Other Responsibilities**

In addition, the AC will:

- Perform other activities related to this charter as requested by the GB. In particular, advise the GB regarding the assessment of the annual activity report of the authorising officer.
- Institute and oversee special investigations as needed.
- Every two years evaluate its performance and that of its individual members.

#### **Reporting on AC Performance**

The AC will report to the GB annually, summarizing the AC's activities and recommendations. The report may be delivered during an AC meeting attended by the GB Chair or during a regularly scheduled meeting

of the GB. The report should include:

- A summary of the work the AC performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing EIT.
- Details of meetings, including the number of meetings held during the relevant period and the number of meeting each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- The AC may report to the GB at any time regarding any other matter it deems of sufficient importance.

### Approval/Signatures

Director/Date

Audit Committee Chair/Date

Chairperson of the Governing Board/Date

Done in Budapest, 17 June 2021