

ECB Audit Charter

(effective as of 1 January 2025)

With this Audit Charter, the Executive Board of the European Central Bank (ECB) defines and approves the mandate of the ECB's internal audit function (internal audit), positioned within the Directorate Internal Audit (D/IA), its purpose, authority and responsibility as well as its contribution to the corporate governance of the ECB.

1 Role and purpose

In line with the Institute of Internal Auditors' Global Internal Audit Standards™ (GIAS), internal audit strengthens the ECB's ability to create, protect and sustain value by providing independent, risk-based and objective assurance, advice, insight and foresight. Internal auditing enhances the ECB's:

- successful achievement of its objectives;
- governance, risk management, and control processes;
- decision-making and oversight;
- reputation and credibility with its stakeholders;
- ability to serve the public interest.

The internal audit function is most effective when:

- internal auditing is performed by competent professionals in conformance with the GIAS, which are set in the public interest;
- it is independently positioned with direct accountability to the Executive Board and the Audit Committee;
- internal auditors are free from undue influence and committed to making objective assessments.

Internal audit is the third line within the ECB's governance framework. The ECB's operational management, which is responsible for establishing systems of internal control, acts as the first line. The ECB's risk management, control, compliance and oversight functions represent the second line.

2 Scope of internal audit services

Internal audit provides assurance and advisory services. All ECB operations, activities and processes may be subject to internal auditing. Internal audit may include activities performed by third-party service providers in the scope of its audits, when this is relevant to the audit's objectives.

In addition, the ECB's internal audit function performs audits in accordance with the Audit Charter for the Eurosystem/ESCB and the Single Supervisory Mechanism (SSM). It implements the Eurosystem/ESCB/SSM audit plan by coordinating the internal auditing of Eurosystem/ESCB/SSM tasks and activities as defined in the Statute of the ESCB and the ECB and in Council Regulation (EU) No 1024/2013¹. These audits also include relevant enabling processes and the risks associated with them, as well as activities decided upon by the Executive Board, Governing Council or General Council (hereafter referred to as the "ECB's decision-making bodies"). Moreover, internal audit contributes to the development and harmonisation of audit methods and standards at Eurosystem/ESCB/SSM level.

3 Independence, organisational position and reporting relationships

To ensure its independence, internal audit reports administratively to the President of the ECB directly and functionally to the Executive Board. Moreover, it reports to the Audit Committee in line with the Audit Committee Mandate. Neither the internal audit function nor individual internal auditors have authority over, or direct responsibility for, the activities audited, nor shall they take instructions from audited business areas in fulfilling their professional obligations.

To safeguard the independence and objectivity of the internal audit function, D/IA has organisationally segregated investigations and whistleblowing from its internal audit activities and ensures adequate safeguards when performing internal audits of these processes.

Internal auditors must avoid conflicts of interest in performing their tasks. Internal audit confirms its organisational independence annually in a report to the Executive Board, the Audit Committee and the Internal Auditors Committee.

4 Objectivity

The internal audit function and each internal auditor maintain an impartial and unbiased mindset and make judgments based on balanced assessments of all the relevant circumstances and without compromise. Impairments to the independence or objectivity of internal audit, in fact or appearance, or of any individual auditor are to be reported to the appropriate level of management within the ECB and/or to the ECB's decision-making bodies.

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, pp. 63-89).

5 Competency and due professional care

The ECB's internal audit function abides by the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Director Internal Audit reports periodically to the Executive Board and the Audit Committee on internal audit's conformance with the GIAS and the achievement of the standards' underlying principles, which will be assessed by means of a quality assurance and improvement programme. The internal audit function and each individual auditor perform their tasks with integrity, competency, due professional care and confidentiality whilst ensuring compliance with applicable laws, regulations and codes of conduct.

It further ensures that it collectively possesses and maintains the knowledge, skills and other competencies and qualifications necessary to carry out its responsibilities. If internal audit does not possess the knowledge, skills and/or other competencies needed to perform a specific audit engagement or if capacity, independence or other provisions require so, it may have recourse to outsourcing or co-sourcing.

6 Responsibilities

Internal audit performs audit engagements as specified in the ECB's audit plan, as approved by the Executive Board.

The audit plan may be subject to modification. Internal audit may undertake ad hoc audits and other activities authorised or requested by the Executive Board, the President and/or the Vice-President. Moreover, it may exceptionally launch ad hoc engagements on its own initiative, provided it informs the Executive Board of these without undue delay.

Internal audit:

- prepares the ECB's audit plan at least annually, taking input from senior management into consideration and using a risk-based methodology;
- submits the audit plan and respective resource requirements to the Audit Committee for its opinion thereon and to the Executive Board for approval;
- communicates the approved plan and any significant changes to senior management;
- implements the ECB's audit plan by conducting assurance and advisory services;
- communicates the results of the assurance and advisory services to the Executive Board and, as appropriate, to the business areas concerned;
- reports annually to the Executive Board on the fulfilment of the ECB's audit plan and other relevant activities and/or on the impact of resource limitations;

- monitors, assesses and reports to the Executive Board and, as appropriate, to the business areas concerned, on the implementation status of audit recommendations (see also section 3);
- coordinates the ECB's interaction with the European Court of Auditors, the ECB's external auditors, other internal and external providers of assurance and advisory services, auditing bodies and the audit community, and considers relying on their work;
- advises on sound governance and the prevention of fraud, corruption and other illegal activities.

Within the framework of this Audit Charter, the Director Internal Audit defines the methodologies to be used in internal audit activities in a manual and ensures adherence to these.

7 Authority and access to information

Internal audit has access to all personnel, records, information, systems and property deemed necessary to carry out its responsibilities. All information requested is to be provided in a truthful and complete manner within a reasonable period of time. In this respect, it may also require ongoing (read-only) access to information systems and data. Internal audit must immediately inform the Executive Board and the Audit Committee of any attempt to hinder the performance of its duties.

Internal audit respects the value and ownership of information it receives and does not disclose information without appropriate authorisation, unless there is a legal or professional obligation to do so.

8 Relationship with the Audit Committee

See the [Audit Committee Mandate](#).

9 Quality

To ensure and continuously improve the quality of its services, internal audit maintains a quality assurance and improvement programme that covers all aspects of its activity. The programme includes, inter alia, external and internal assessments, as well as ongoing quality assurance. Internal audit reports on its quality assurance and improvement programme to the Executive Board and Audit Committee.

10 Implementation of recommendations and action plans

Business areas implement action plans to address audit findings in line with the Executive Board's decision² on this matter, the main aspects of which are listed below.

- As a general rule, business areas implement actions to address audit findings within one year after the Executive Board has taken note of the underlying audit report, reaching a decision on the action. Action plans exceeding this time horizon shall be communicated with defined interim milestones to monitor progress.
- Internal audit measures the business areas' performance on the implementation of their action plans and report on the related indicators twice a year.
- If internal audit disagrees with an action plan and/or the committed implementation date proposed by a business area, the issue is discussed by the Executive Board. D/IA and the responsible business area head may be invited to attend the discussion.
- Business areas, in coordination with internal audit, proactively seek Executive Board approval for the revision or reprioritisation of a previously committed action plan before defaulting on its implementation.

11 Review of this Charter

D/IA shall review this Audit Charter at least once every three years and report thereon to the Executive Board and Audit Committee.

² Summary of the proceedings of the 543rd Executive Board meeting of 11 September 2007, agenda item 14.