

CONNECT IAC Manual of Procedures – Info 01: Reason of existence of Manual of Procedures (MoP)

Objectives

- MoP as light as possible, but that still meets CONNECT auditors' needs;
- Be a repository of knowledge (knowledge base!) and internal arrangements of IAC;
- Be a help for auditors at implementing their work;
- Be a help for newcomers to easily understand the way of proceeding;
- The writing exercise itself should help to clarify internal procedures and increase homogeneity in our practices, avoiding proliferation of templates and different practices;
- Be compliant with ICS 8 – processes and procedures (beyond formal compliance with basic requirements) and IAS guidelines;
- Ambition: become a best practice in writing MoP;

Ideas used in the design

- Use the subsidiarity principle! Don't redo what already exists and is satisfactory (in IAS, other IACs);
- Take into account models from ECA, IAS other IACs, etc.;
- Users needs: both enough detailed and flexible; both light and addressing all key activities; easy to be consulted and updated;
- Respect basic principles of ISO 9000: list of documents, naming and writing rules, rules for changing and updating;
- Ensure consistence of the MoP with "AMS" and IAS requirements is embedded in the MoP by avoiding repeating statements already established elsewhere.
- Include Charter, EMU and current forms/templates.
- Include current, updated practical examples
- Integrate existing elements of drive H: "toolkit" and internal procedures
- Vertical flowchart enriched by comments (or operational instructions)
- Consider to refer to standards/practice advisory (e.g. via a cross-check matrix) + IAS methods/rules
- Consider a minimal practical glossary (e.g. "audit universe") per procedure if needed
- Benchmark, get ideas and examples/good practices from other groups (other IACs, Auditnet, ECA, Secgen, Documentum, speak with S2 MOP, etc.)

Ideas used for realisation

- IAC session to confirm objectives and needs ("dream now!"), to enrich ideas for design and realisation, contributions, timing, commitment
- Establish principles for a "good" procedure (ideally 1 page, maximum 2 pages, only essential information, think to 1 year from now, etc.)
- Consider using a flowcharting tool
- Design and organisation of MoP taking into account: easy-to-use, possibility of quick view, uniform appearance of whole MoP;
- Include tips and tricks/alternatives. Think both to big and small audits.

CONNECT IAC Manual of Procedures: info 2

WHAT DOES THE IAC DO?

Definition of Internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

(see Institute of Internal Auditors website <http://www.theiia.org/guidance/standards-and-guidance/ippf/definition-of-internal-auditing>)

The Internal Audit Capability (IAC) of DG CONNECT advises the Directorate General on dealing with risks by issuing:

- independent opinions on the quality of management and control systems, (assurance)
- Recommendations for improving the conditions of implementation of operations and promoting sound financial management.

The IAC shall be responsible in particular for assessing:

- (a) the suitability and effectiveness of internal management systems and the performance of departments in implementing policies, programmes and actions by reference to the risks associated with them;
- (b) the efficiency and effectiveness of the internal control and audit systems applicable to every budgetary implementation operation.

Assurance audit engagements conducted by the IAC have two main purposes:

- to support the auditee by assessing the adequacy of its internal control and identifying areas that may need additional management attention.
- to provide the information required so that the Head of IAC can fulfil its role by providing independent assurance to the Director-General CONNECT. Certain principles for the conduct of assurance audit engagements follow from these two main purposes.

The mission, objectives, reporting and working arrangements of the IAC of DGCONNECT are fully described in the Charter which is signed by the Director-General:

The key activities that the IAC is performing are:

- Risk Assessment and Internal Audit Planning for DG CONNECT - Participating in key meetings in DG CONNECT: MT, ICT Directors Meetings, ITSC, AFUs and reviewing important documents which affect the DG (e.g. DAE) or are relevant for our Risk Analysis.
- Audit engagements
- Follow-up Audit engagements
- Reporting to IAS/ Commissioner and DG
- Opinion on the AAR
- Professional training for auditors

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MODEL CHARTER OF THE INTERNAL AUDIT CAPABILITY

C(2010)3734

MODEL CHARTER OF THE INTERNAL AUDIT CAPABILITY

C(2010)3734

An Internal Audit Capability (IAC) has been established in each Commission Directorate-General (DG) or Service on the basis of the Communication on the conditions for the provision of an Internal Audit Capability in each Commission Service¹. The role of the Internal Audit Capability in relation to other key actors in internal audit and internal control has been further defined by the Commission in the Communication on the clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission².

This charter sets out the mission, objectives, reporting and working arrangements essential to the proper fulfilment of the IAC's role in the interests both of their DG or Service and of the Commission as a whole.

The Director-General or Head of Service may introduce some adjustments to reflect the DG/Service's particular needs and circumstances, informing the SG, DG BUDG and the IAS.

1. MISSION AND OBJECTIVES

The **mission** of the IAC is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the DG. The IAC helps the DG accomplish its objectives by bringing a systematic, disciplined approach in order to evaluate and make recommendations for improving the effectiveness of risk management, control, and governance processes³. Thereby it promotes a culture of efficient and effective management within the DG or Service to which it belongs.

Assurance is an objective examination of evidence for the purpose of providing an independent assessment of the effectiveness of governance, risk management and control processes. For its assurance services, the IAC will rely on risk-based planning, and an opinion should be included in each assurance audit report.

Consulting services are advisory and management-requested activities, the nature and scope of which are agreed with the Director-General/Head of Service and which are intended to add value and improve the DG's governance, risk management, and control processes without the internal auditor assuming management responsibility.

The primary **objective** of the IAC is to provide the Director-General/Head of Service with assurance as to the effectiveness and efficiency of the governance, risk management and control processes in the DG, with special reference to the following aspects:

¹ SEC(2000) 1803.

² SEC(2003) 59.

³ The combination of processes and structures implemented by the senior management to inform, direct, manage, and monitor the activities of the DG or Service toward the achievement of its objectives.

- Risks are appropriately and continuously identified and managed,
- Significant financial, managerial, and operating information is accurate, reliable, and timely,
- The Commission's policies, procedures, and applicable laws and regulations are complied with,
- The objectives of the DG are achieved effectively and efficiently,
- The development and maintenance of high-quality control processes are promoted throughout the DG.

2. ACCOUNTABILITY

The IAC is under the authority of the Director-General/Head of Service and shall be accountable to the Director-General/Head of Service to:

- Submit for approval an annual work plan founded on a risk-based approach as part of a multi-annual strategic plan.
- Report significant issues related to the processes for controlling the activities of the DG [and if applicable of its executive agencies⁴] as discovered during the course of the IAC's audit work, including potential improvements to those processes. These issues should be incorporated in the twice-yearly report of the DG to the portfolio Commissioner.
- In accordance with the nature and the scope of the IAC work during the year in question, express an opinion on the state of control within the DG or Service.
- Take due account of reports by the European Court of Auditors (ECA) and share information with other internal and external providers of relevant assurance and consulting services, such as the IAS, ex-post audit units, Internal Control Coordinators, risk managers, local security officers and, if appropriate, other DGs, to ensure proper coverage and minimise the duplication of efforts.
- Report at least annually on the IAC's mission, authority and responsibility, and performance in relation to the annual work plan⁵.

3. INDEPENDENCE AND OBJECTIVITY⁶

No authority may interfere in the conduct of IAC work or ask the IAC to make any alterations to the content of audit reports.

The Head of the IAC shall address any issue which in fact or appearance might impair his/her independence in determining the scope and planning of the audit activities, performing them

⁴ Arrangements to account for those agencies with their own IAC.

⁵ This refers to the activity report of the IAC.

⁶ Refer to IIA standards on Independence and Objectivity 1100, 1110, 1110.A1 and 1111.

and communicating their results, in his/her annual work plan, annual report and individual audit reports.

In exceptional circumstances, when, on the basis of his/her formal assurance or consultancy work, the Head of the IAC concludes that the Director-General/Head of Service has accepted an unreasonably high risk, he/she may, after informing the Director-General/Head of Service, report his/her concerns to the Secretary-General.

In order to ensure objectivity in their opinions and avoid conflicts of interest, IAC internal auditors must preserve their independence in relation to the activities and operations they review⁷.

The Head of the IAC will confirm to the Director-General/Head of Service, at least annually, the organisational independence of the internal audit activity.

4. RESPONSIBILITY

The Head of the IAC has a responsibility to the Director-General or Head of Service to:

- Develop and establish the IAC audit procedures, including a follow-up process.
- Implement the annual work plan, as approved, including as appropriate any special tasks or projects requested by the Director-General/Head of Service.
- Ensure that the IAC resources are appropriately and effectively deployed to meet the requirements of this Charter and the annual work plan.
- Develop and maintain a quality programme that covers all IAC audit activities and continuously monitors its effectiveness. This programme may include periodic internal and external quality assessments and ongoing internal monitoring and be adapted to the size of the IAC.
- Promptly validate his/her findings and related risks and discuss his/her recommendations with the auditee. The auditee's position should be reflected in the final report, particularly in the case of disagreement.
- Finalise audit reports, under his/her own responsibility, without undue delay.
- Effectively and timely communicate results of audit engagements (assurance and consulting) to the Director-General/Head of Service and management directly concerned.
- Formally communicate in writing to the Director-General where he/she believes that the auditee has accepted an unreasonably high level of risk.
- Respect confidentiality with regard to information gathered from the audit and consultancy engagements performed.

⁷ Refer to IIA standards 1120 on Individual Objectivity and 1130 on Impairments to Independence or Objectivity.

- Communicate to senior management on the quality assurance and improvement programme of the internal audit activity, including results of ongoing internal assessments and external assessments conducted at least every five years.
- Disclose and explain any failing or inability to meet and comply with the requirements of this charter in the annual work plan and/or annual activity report.

In the context of relations with the Internal Audit Service (IAS):

- Provide the IAS with the annual work plan and annual activity report of the IAC.
- Collaborate closely with the IAS while defining the audit universe and performing the risk assessment, for the purpose of establishing a coordinated audit plan.
- Send final audit reports to the Director-General/Head of Service, with a copy to the IAS.

In the context of relations with other services/institutions:

- Report any suspected fraudulent activities within the DG/Service to the Director-General or Head of Service and OLAF⁸ in accordance with the regulations in place.
- Ensure that the annual work plan and annual activity report of the IAC are sent to the Court of Auditors and take due account of control issues emanating from the Court's reports in the risk analysis and audit planning.

5. AUTHORITY

The Head of the IAC and his/her staff are authorised to:

- Have unrestricted access to all functions, information systems, records, property, and personnel within the DG, as considered necessary for the fulfilment of their duties.
- Obtain the necessary assistance of staff in all the units of the DG.
- Allocate resources, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Be informed at an early stage about the development of new systems and changes to existing systems that may substantially affect the DG's internal control system.
- In accordance with the design of the financial circuits implemented within the DG, act as Authorising Officer by subdelegation for administrative expenses linked to the activity of the unit (missions, training, etc.).

[If appropriate in the specific context of the DG, fulfil tasks other than assurance or consulting activities performed by the IAC (to be listed here).]

The Head of the IAC and his/her staff are **not** authorised to:

⁸ Decision of 2 June 1999 (OJ L 149, 16.6.1999, p. 57) and C(2002)845 of 5 March 2002.

- Perform any operational duties for the DG.
- Initiate or approve financial transactions external to the IAC.
- Direct the activities of any staff member not employed by the internal auditing capability, except to the extent such staff members have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

6. STANDARDS OF AUDIT PRACTICE

The IAC will adhere to the mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing* as drawn up by the Institute of Internal Auditors. Such professional standards and the Code of Ethics will be applied in accordance with regulations applicable to Commission staff. In the event of discrepancies, requirements originating from EU regulations and Commission decisions shall take precedence.

Head of Internal Audit Capability

Director-General/Head of Service

Dated

CONNECT IAC Manual of Procedures: info 4

Role (Mandate) of ACB committee

Summary of the mandate

The ACB is composed out of Director general (chair) and his deputies, Dir S, Dir R and the HoU of 01,02 , R2 and S2. The Committee normally meets on the second Wednesday of the month. Its mandate is : Discuss and coordinate all aspects of importance on Internal and External Audit, Internal Control and Budget,

Full Mandate

The Audit, Control and Budgetary Committee (The Committee) is composed of the Director General (DG), the Deputy Director Generals (DDG), the Internal Control Coordinator (ICC) (Dir. S), the Resources' Director (Dir. R) and the Heads of the External Audit (02) and Internal Audit (01) (IAC) units, Budget and Financial Unit (R2) and Management Support Unit (S2). The secretary of the Committee is the Head of the Internal Audit Unit and the Committee is normally chaired by the Director General.

The Committee may also invite any other CONNECT Director and/or his/her representatives to attend the Committee, depending on the topics on the agenda.

The Committee normally meets on the second Wednesday of the month.

The Committee's mandate, in summary, is to

Discuss and coordinate all aspects of importance on Internal and External Audit, Internal Control and Budget, which may have an impact on the activities of DG CONNECT.

1) With regards to internal audits carried out by the IAC (preparatory work under the responsibility of the IAC)

To take decisions or to prepare decisions to be taken by the whole management team on internal audit issues. Specifically, to

(a) Give input to the IAC's risk assessment and to agree on what actions its findings imply for the DG. To propose taking actions addressing those findings and to agree on timetables and responsibilities for the actions.

(b) Give input to the internal audit work programme based on the knowledge of additional potential risks in some specific areas.

(c) Provide input to the Director General on his approval of the annual internal audit work programme submitted by the IAC to him, as well as on any changes to it.

(d) Follow-up on the implementation of the annual audit work programme,

(e) Follow-up the execution of the audit and consultancy assignments, reviews, and other tasks assigned by the Director General to the IAC, by

- giving input to the Director General for his approval of each Engagement Planning Memorandum (EPM),
- following-up the progress of each audit and consultancy assignment,
- commenting the final audit report and its recommendations, following the presentation of the report by the IAC,
- inviting the Directors responsible for the audited area to the Committee meeting to respond to the observations and recommendations of Internal Audit reports,
- accepting or not the eventual rejection of recommendations by the Directors responsible for the audited area,
- endorsing the Action Plan agreed between the auditees and the IAC as updated with the decisions made in the Committee and recording these decisions for each recommendation in the minutes of the meetings and
- informing the management team of these decisions as appropriate.

(f) Monitor the implementation of the action plans in response to audit recommendations based on the follow-up work carried out by the IAC; advice auditees on finding solutions in cases where implementation has been delayed or has encountered difficulties; and ensure risks identified in the audit reports are mitigated to an acceptable level.

(g) Ensure that the lessons learned and recommendations given have been considered on a DG CONNECT wide level, when feasible.

2) Concerning internal audits carried out by the IAS (preparatory work under the responsibility of the Management Support Unit)

Discuss the conclusions and recommendations of the IAS internal audit reports on DG CONNECT activities, and agree on drafting and implementing the related action plans regarding the recommendations.

Approve DG CONNECT's line to take in its participation to the Audit Progress Committee (APC).

Endorse the twice annual CONNECT progress reporting for the IAS' AMS-system (cf. IAS progress report to the APC) and the CONNECT replies to the Commissioner's letters on overdue recommendations.

3) As regards reports of the European Court of Auditors (ECA) (preparatory work done by the Management Support Unit)

Discuss the conclusions and recommendations of audit reports by the European Court of Auditors (ECA) resulting from their audits carried out on DG CONNECT activities and agree on drafting and implementing necessary action plans regarding the recommendations.

4) With respect to on-the-spot external financial audits (ex-post controls) (preparatory work under the responsibility of the External Audit Unit)

5) By reference to internal control & risk management coordination (ICC) (preparatory work done by the Management Support Unit)

Discuss the annual ICS review and resulting ICC recommendations (cf. ICS-15 = CONNECT's "ICC Package"); decide on the DG's ICS priorities for the next year (cf. Management Plan).

Monitor, on the basis of the results of the Internal Control Coordination Group (ICC Group), the progress to be made in order to increase the effectiveness of ICS implementation at DG CONNECT and in particular any ICS identified for attention in that year.

Endorse the results of the annual High-Level Risk Assessment (HLRA) exercise, including the DG's "critical risks" (if any) to be included in the Management Plan.

Monitor, on the basis of the results of the ICC Group, the progress to be made in order to reduce or contain the DG's risk exposure (action plan or reinforced monitoring).

Discuss the progress made related to recommendations (from "all sources") addressed to DG CONNECT services and consider any resulting decisions/actions (if appropriate – e.g. to avoid recommendations becoming overdue).

Discuss the information received, twice a year, through the AOSDs management reporting (Directorate Management Reports-DMRs) and consider any resulting decisions/actions (if appropriate).

Endorse the "management reporting" in the draft BMR to the Commissioner and in the draft AAR.

6) As regards the budget (preparatory work under the responsibility of the Budget and Financial Unit)

Monitor the evolution of the budget implementation, considering commitments, payments and payment delays.

Analyse the monthly reporting presented by the Budget and Financial Unit.

Discuss suggestions made by Resources Director on Budgetary Management and inform the management team as appropriate of these decisions.

6) Regarding audit, control and budgetary aspects of external bodies (e.g. Agencies and JTIs) operating within DG CONNECT policy areas

Review their Annual Audit Plans and their implementation, as well as the Internal Auditors' Reports and the Action Plans resulting from all audits carried out by the ECA, IAS, own Internal Auditor, ex-post controls.

Review their management reporting (e.g. AAR), with respect to the implementation of their Internal Control Framework.

Be informed on the results of meetings of these external bodies as reported by the corresponding Audit Committee member(s).

Monitor the follow-up of the implementation of conditions and/or recommendations made by the Commission when granting autonomy to the JTIs.

A warm welcome to you!

We will do our best to ensure you will quickly enjoy working with us!

We propose you this start up package to

- *Understand the context in which you'll work*
- *Learn how you can contribute*

It's advisable not to go through each chapter one after the other, but rather in parallel.

Please enrich it yourself for our next new colleague!

N.B.: this package cannot substitute human contacts and relationship between us!

New in the Commission?

Logistics and settling (desk, phone, printers and fax, toilets, canteen and cafeteria, ...) – Danielle and colleagues.

Count on tutoring and basic mentoring from colleagues: just ask! (explanation in

Explore:

Intracom and related sites

Staff regulations, especially Rights and obligations

Budgweb

and in particular:

Financial regulations

European budget

SGVista

in particular:

Get access and discover:

ARES (document management system) –; you can also find it on DG CONNECT intranet

Encryption of e-mails – contact CONNECT LRA

Know and understand CONNECT

You will be invited automatically for CONNECT newcomers' day training – but don't wait for it to discover CONNECT: you could get it only after some months.

Glossary of terms!

Explore CONNECT intranet:

especially:

Newcomers page

Commissionaire Neelie Kroes

Read on intranet page about "Project of the month" so you have an idea of project content.

Organigram

AAR (Annual Activity Report)

Manual of Procedures

Internal Control Standards (presentation)

Explore the mission and activities of Directorates, and especially the horizontal units, past and perspectives.

Participate to weekly OS/AFU meetings on Thursday morning

Know and understand our Unit CONNECT-01

Explore our webpage,

Our Charter

Our Mutual Expectations Paper

especially:

Our current planning

have a view to the Audit Inventory

04-Audits ongoing (choose e.g. one audit and look at following key documents: Audit announcement, Mandate/EPM, Audit Workprogramme and risk analysis, one interview minutes, draft observations table, draft report, comments from auditees, final report, action plan)

08-IAC functioning (recent files in .1, .2 and .3)

10-Methodology (also the first files of our manual of procedures)

Audit in the Commission

AMS (IT application for auditing):

(helpdesk function for AMS is ensured by request regarding the application)

– please address her by e-mail any

Commission Network of auditors

(use normal internet login)

(or contact BLAIS Adeline (IAS))

IT systems useful for auditing:

i-Flow

PPM

EMI [get access on a need base]

AL2

Pinocchio [get access on a need base]

MIS

(Attention: not updated!)

IPM (Interactive Policy Making) for surveys, questionnaires [see doc in h/.../Manual of Procedures]

BO (Business Object) reporting [training normally needed]

Some interesting training for auditors

Syslog:

Internal audit in the Commission:

1. INT01 - Introduction to internal audit process and skills
2. INT02 - International Professional Practice Framework (IPPF)
3. INT03 - Internal audit governance and frameworks
4. INT04 - Internal audit risk assessment frameworks and audit plans
5. AMS01 - AMS for internal auditors

Tip: subscribe via Syslog as quick as possible for these or other (META) audit trainings, as these trainings are not organised often and are very quickly full (while the generic newcomers courses are organised quite often).

CONNECT

FP7 coordinators day

Short local trainings organised by CONNECT (see regular newsletter)

...

Meeting organisation

Obligations of a team leader:

1. give the dates (best estimate at this moment) to the secretary of the unit
2. always put in his/her calendar absences, training, etc....
3. specify to the secretariat of the unit if special needs for the meeting room are required (beamer, video conference, etc...)
4. send an e-mail with the persons (names) that will attend the meeting(specifying which ones are key-persons) and the text of the invitation, to the secretariat of the unit
5. check each invitation just after it has been sent (right persons, date and venue, text of the invitation...)

Obligations of a meeting organiser:

1. Check with team leader before sending an invitation
2. Send of invitation
3. Inform the team leader if one of key persons decline an invitation;
4. Two days before meeting – phone Directorates who have not responded yet;
5. Just before meeting – prepare a list of attendance.

CONNECT IAC Manual of Procedures: OI1

Operational Instruction nr 1: Surveys in IPM

Preliminary Note info about IPM can be found via intracomm →:

For access to IPM see point 11

1. First decide the questions based on the risk assessment and any further audit work
2. consider existing surveys, studies, feedback collection etc.
3. formulate short, clear, unambiguous questions: less than 20, grouped by theme
4. challenge the questions inside IAC and test them externally (to a target person) :
5. seek to reach a consensus of directors on the questions if the survey is sent to external actors
6. In order to check the quality of the survey, simulate a set of answer and figure out what you could conclude on such answers
7. Consider to give the opportunity for open questions to be filled in with free text
8. Take into account that "closed" questions give much easier statistical evidence for the audit
9. Either you do the survey anonymous (or anonymous with voluntary filling in of the name) or you have to declare the survey to CONNECT Data Protection Coordinators
10. When questions are stable implement them in IPM:
 - Get your own access to IPM (via CONNECT helpdesk – see also point 11). In case you don't have time, you can provisionally use the username of a colleague connect to
 - To create and modify the questionnaire in IPM, refer to experienced colleagues and to user manual of the Form Generator:

- Once active, the online questionnaire will be accessible at

is the

name you gave to the questionnaire

- Test the survey yourself before sending to hundreds of people
- Prepare the list of e-mails of addressees and the body text of the e-mail. Example of



e-mail example.doc

the e-mail ()

- Experience shows that a survey is in many cases mostly filled in the first days when it is active and after the sending of a reminder. Sending of reminder must be considered to increase the participation rate.
- For extracting the data go to Search all data/ extract "what you want" and enter whatever name when asked (like test1)

11. info for access to IPM

- at 19/09/2012 there are the following accesses individual accesses:
 - every user can create access for another user
- in general the questionnaires created under one user cannot be seen or copied by another user. This is why it is strongly advised to use login
 - Questionnaires can be shared by entering into the personal login and defining for each questionnaire which user can see (and copy) it
 - Currently one questionnaire is shared with all current login: the satisfaction survey – see Minutes of IAC meeting of 19/12/2011

Preliminary Note info about IPM can be found via intracomm □:

""""""""""Operational Instruction nr 2: how to report on IAC activities

The IAC reporting activities are stated in the Charter and refer to:

1. Contribution to DG CONNECT's report addressed to the **Commissioner (BMR)**
2. reporting to the **Director General (DG)** of DG CONNECT
3. Reporting to the **IAS**
4. Other reporting (OLAF...)
5. Additionally, the IAS may be assigned lead unit to provide the DG with LTT on audit related **ISC** or other documents (CIS-Net).
6. The IAC may also report in **other fora** where it is represented: those fora are AUDITNET, Mgt Team meetings, ICT Directors' meetings, OS/AFUs meeting and other eventual meetings/seminars, etc.

An **appendix** with timetable, unit requesting IAC reporting and relevant instructions is attached to the present procedure. The reports that are sent without any particular instruction and/or timetable, i.e. reports that will be sent uniquely if certain conditions are met (e.g. reports to OLAF on suspected fraudulent activities), are not included in the appendix.

1. Reporting to the Commissioner:

- As regards IAC's contribution to the report to the Commissioner, the Charter states that **significant issues related to control processes** of the activities of the DG and of its executive agencies as discovered during the course of the JAC's audit work, including **potential improvements** to those processes, should be incorporated in the twice-yearly report of the DG to the portfolio Commissioner.
- The IAC send a **copy of final audit reports** to the Cabinet and, **on request of the cabinet, copy of the Action Plans**.

2. Reporting activities to the DG (as stated in the Charter):

- Submission for approval of an **annual work plan** founded on a risk-based approach as part of a **multi-annual strategic plan**.
- Reporting on **significant issues related to control processes** of the activities of the DG and of its executive agencies as discovered during the course of the IAC's audit work, including **potential improvements** to those processes.

- In accordance with the nature and the scope of the IAC work during the year in question, express an **opinion on the state of control** within the DG.
- Take due account of **reports by the European Court of Auditors (ECA)** and **share information with other internal and external providers** of relevant assurance and consulting services, such as the IAS, ex-post audit units, Internal Control Coordinators, risk managers, local security officers and, if appropriate, other DGs, to ensure proper coverage and minimise the duplication of efforts.
- Report at least annually on the IAC's mission, authority and responsibility, and performance in relation to the annual work plan (IAC's contribution to the AAR, also called **IAC's AAR**).
- Effectively and timely communicate **results of audit engagements** (assurance and consulting) to the Director-General and directly concerned management.
- Formally communicate in writing to the Director General where he/she believes that the auditee has **accepted an unreasonably high level of risk**.
- Disclose and explain any **failing or inability to meet and comply with the requirements of the charter** in the annual work plan and/or annual activity report.

3. Reporting to the IAS:

- Providing the IAS with its **annual work plan** and annual activity report.
- Collaborating closely with the IAS while defining the **audit universe** and performing the **risk assessment** (see procedure ...), for the purpose of establishing a coordinated audit plan.
- Sending a **copy of final audit reports** to the IAS.
- Contribution to the **Overall reports** (twice per year) of the IAS.
- Contribution to the **Overall Opinion** of the IAS on the state of control of the EC.
- Furthermore, the IAS, in order to streamline the cooperation, the IAS has proposed in the framework of the AUDITNET an appendix for **specific IAS contributions**.

4. Other reporting:

- Reporting on any **suspected fraudulent activities** within the DG to the Director-General and **OLAF**, in accordance with the regulations in place.
- Ensure that the **annual work plan and annual activity report of the IAC** are sent to the **Court of Auditors** and take due account of control issues emanating from the Court's reports in the risk analysis and audit planning.

ISC:

- The IAC may be assigned by the DG as a lead or a contributor unit to answer an ISC, by providing a LTT. CIS-Net is used in this case and the contact unit is S1.
- Template for ISC signed by the Director General:
 - Reply by 01 to ISC signed by DG
 - Template of the workflow of the e-signataire :
 - RED : secretary - Danielle Impellizzeri (or back-up)
 - VISA : Head of Unit - Fernando Sendra Palmer (or back-up)
 - VISA : ve_CONNECT.dg.ass
 - SIGN : Madelin Robert
 - EXP : ve_CONNECT cis egrefe coordon

6. Other fora:

- The Head of the IAC usually represents the IAC at Mgt Team meetings, which take place every Monday, from 10 am to 1 pm, at ICT Directors' meetings, which take place usually every two Tuesdays and AUDITNET meetings, which take place normally once per month. On a approximate rotation basis, members of the unit attend OS/AFUs meetings and substitute the Head of the IAC in the abovementioned meetings.
- Furthermore, the Head of the IAC represents the IAC and acts as secretariat of the Audit, Internal Control and Budgetary (AICB) Committee. Team leaders of the audit engagements being discussed during AICB meetings also attend those meetings.

APPENDIX 1

Content of the report	To whom	Time / support IT	Instructions
Significant issues related to control processes	Cabinet	Every semester (February and July) / Transmitted by Dir R	
Final audit reports to Cabinet	Cabinet	After Action Plan is agreed by DG (AICB Committee) /ARES	-

CONNECT IAC Manual of Procedures: O.I. 3

Key Actions in AMS

1. The audit lead requests one AMS administrator, the creation of the AMS Engagement before the commencement of work. The Title of the engagement should be agreed with the HoU and the team in advance.
- 2 The EPM AMS form is filled in as required by the IT tool, before the announcement letter is sent to the auditees. The time budget of the engagement is based on the Annual Work Plan, and the split between the phases is decided in agreement with the Audit Supervisor and the team, depending on the nature of the audit.
3. When the EPM is agreed, an AMS checklist is created for the Preliminary Survey. Standard checklists are available in AMS. Key documents to base the Preliminary Survey on are filed in AMS timely together with relevant conclusions, including risks identified.
4. The Risk Control Matrix (RCM) is the main deliverable of the Preliminary Survey (PS) together with the approved EWP, which is to be filed before fieldwork start in the 'Audit Program' section of the main Audit form.
5. Based on the EWP, checklists are defined for the Fieldwork. The team member responsible for each checklist step is to be written in the comments box.
6. The team leader reviews, changes and makes comments in AMS for the preparer. Main supporting evidence should be attached/ referred in work papers in Supporting Files and Links section.
7. The audit reports are field in the 'Audit Reports' section of the main Audit form.
8. After the Auditee Satisfaction Survey is discussed and documented, the AMS engagement is closed by the Audit Lead.

General AMS rules:

1. Each and every Work Paper (WP) must contain Objectives and Conclusions.
2. Supporting documents attached to Work Papers should be followed up in Conclusions field.
3. WPs are sent to the Audit Lead when ready for review.

For a detailed structure of AMS filing, see the instructions from Audit Supervisor:



Z:\Audit Reference\
Structure of the audit

CONNECT IAC Manual of Procedures – Operational Instruction

01:

Permanent File

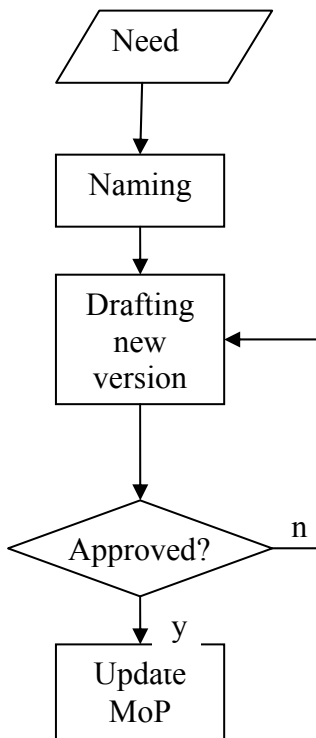
The permanent file contains the most important documents, which have been sent to the functional mailbox of unit CONNECT/01.

Only the HoU and the secretary may save documents in the permanent file.

If a member of the team receives a document, which should be saved in the permanent file, he should forward it to our functional mailbox

The permanent file is available on
It is structured as follows:

CNECT IAC Manual of Procedures - Procedure 01: How to write, approve and update docs



Naming

- Docs should be named according to table:

Type of doc	Naming Code
Charter	CNECT_IAC_charter
Procedure	CNECT_IAC_pro
Operational Instruction	CNECT_IAC_oi
List of documents, plans, roadmaps	CNECT_IAC_list

Practical examples don't need specific naming.

- Create the new draft document

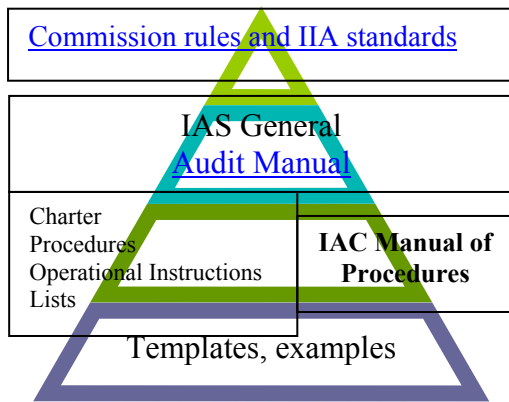
Versioning and approval

- Start with version 0.1, change version at each major change and/or after review (each procedure is reviewed by one reviewer)
- Put version 1.0 when it has been approved and update CNECT_IAC_list00
- The version is considered to be approved when it is agreed between a reviewer and an author; charter and MoU should be approved by DG)
- If an author and a reviewer do not agree, a document should be discussed in the MoP/Unit meeting; both of them might raise any controversial issue that is worth to be discussed in MoP/Unit meeting.
- In updating/modifying an approved version, create a version x.1 and write immediately on the top the main changes intended to be done

- Put version x+1.0 when approved
- Only approved version should be published (in the Intranet)
- Remember that printed versions could be obsolete

Tips & tricks

- Better use vertical flowcharts with narratives aside*
- Put only necessary information that remains reasonably up-to-date with time*
- Structure the information and use bullet points*
- Add tips& tricks, memo, links and references to external documents and examples*
- Try to stay in 1 page*
- Kiss (keep it simple)*
- Make peer reviews with colleagues in order to collect good practices and harmonise*





Mutual Expectations between auditees and auditors in IAC INFSO

What you should expect from the IAC INFSO

What the IAC INFSO expects from you

20.10.2008

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1. INTRODUCTION

The Internal Audit Capability (IAC) of DG INFSO provides the Director-General with assurance as to the effectiveness and efficiency of risk management, control, and internal governance processes in DG INFSO, by issuing:

- independent opinions on the quality of management and control systems,
- recommendations for improving the conditions of implementation of operations and promoting sound financial management.

The IAC shall be responsible in particular for assessing:

- (a) the suitability and effectiveness of internal management systems and the performance of departments in implementing policies, programmes and actions by reference to the risks associated with them;
- (b) the efficiency and effectiveness of the internal control and audit systems applicable to every budgetary implementation operation.

Assurance audit engagements conducted by the IAC have two main purposes:

- to support the auditee by assessing the adequacy of its internal control and identifying areas that may need additional management attention.
- to provide the information required so that the Head of the IAC can fulfil its role by providing independent assurance to the Director-General of DG INFSO. Certain principles for the conduct of assurance audit engagements follow from these two main purposes.

This paper describes the relationship between auditor and auditee to clarify responsibilities and align mutual expectations so that audits are smooth, efficient and effective.

The procedures outlined in the following sections are only applicable to assurance audit engagements. The procedures can be simplified for other audit engagements and adapted to suit other audit activities such as desk reviews, audit risk assessments and consultancy engagements.

The IAC is committed to providing internal audits in compliance with the international Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (the IIA). This paper is based on both relevant professional standards and regulations set out by the Commission¹, acquired experience and best practices identified from various sources. This paper does not replace these source documents and is intended only as a guide and an explanatory document.

A code of rules sufficiently detailed to cover all situations and circumstances would not be practicable. Auditor and audited service will therefore have to cooperate on each audit engagement

¹ Sources include:

- the Mission Charter of the Internal Audit Capability;
- Conditions for the provision of an Internal Audit Capability in each Commission service (SEC(2000) 1803/3) ;
- International Standards and Code of Ethics and guidance of the IIA (www.theiia.org).

and the auditor will use his professional experience and judgement in determining the adequate procedures required under the specific circumstances. Exceptions should be discussed between the auditor and auditee and recorded at the beginning of an engagement.

2. RISK ASSESSMENT & ANNUAL AUDIT PLAN (STRATEGIC PLANNING)

The IAC's audit work is based on a three-year plan used to draw up an annual plan of internal audit activities. Both the three-year and the annual plans are based on a risk assessment carried out by the IAC and takes account of:

- DG INFSO risk assessments,
- Audit risk assessments carried out by the IAC of DG INFSO
- Work already completed or planned by the IAC, the Internal Audit Service (IAS) and the European Court of Auditors (ECA) in order to avoid duplication of efforts and maximise the use of resources, provide it is reported to the IAC timely,
- Information from and discussion with the Director-General, the Deputy Director-Generals, the Directors and the Cabinet,
- Information from and discussion with the AuditNet (network of IACs),
- Investigations being carried out by the European Anti-Fraud Office (OLAF) and known by the IAC
- Discussion, requests and advice from the Audit Progress Committee (APC),
- Management requests regarding specific issues notably about the timing of the engagement (taking into consideration constraints and opportunities).

The IAC's audit work planning is part of a coordinated strategic multi-annual planning approach between the IAS and the IACs. It is based on the definition of an overall DG INFSO-wide audit universe and an annual audit risk assessment, and aims at providing more coordinated audit coverage of the key risks identified, without changing the existing arrangements for approving individual (IAC and IAS) audit plans.

The IAC ultimately adopts its work programme² after its formal approval by the Director-General of DG INFSO. The Director-General may ask the IAC to change its work plan in order to carry out audits not included in its work programme. Audits on request by the DG's management will however be restricted, in order to enable the IAC to follow its risk based programme with a view to providing an overall coverage of the DG's activities. The IAC may change the annual audit plan in the course of the year.

² The updated work programme is available at the IAC's intranet webpage.

3. AUDIT ENGAGEMENT

The chart below summarises the deliverables expected from each party during the main stages of the audit process flow.

Deliverables	Actors			Timescale Reference: start of the audit
	Director-General	IAC	Auditees	
Risk Assessment - 3 year plan	Approval	Elaboration and update (if necessary)	Information	
Annual Audit Plan ³				
For each audit				
Planning and Administration				
Announcement Letter and Engagement Planning	Signature	Sending	Information	2 Weeks before the start of the audit
Preliminary Survey and Fieldwork				
Preliminary Survey	Informed on preliminary results from auditors, if relevant	Gathering of Information, interviews with key personnel, description of processes, Internal Control Review and preparation of questionnaires	Providing information to the auditors on processes and controls and interviews with auditors	2 Weeks after the start of the audit (+ 2 Weeks)
Fieldwork		Testing controls, meetings with auditees and analytical procedures	Collaboration with the auditors on testing controls and meetings with the auditors	+ 8 Weeks (may vary, depending on the audit)
"Observations table" ⁴ - Preparation		Preparation and sending of the table to the auditees	Reception, reading and preparation of comments	+ 9 Weeks
"Observations table" - Meeting		Discussion on "observations table"		+ 11 Weeks
Reporting				
Draft Report	Reception Comments	Sending the report to the Director General and Directors involved / Reception of Comments	Reception Comments	+ 13 Weeks / + 15 Weeks
Final Report	Informed when report is finished	Sending, after approval of the Director-General, the report to the Directors involved	Reception and Comments	+ 17 Weeks
Final Report and Action Plan to be completed	approval	Sending, after approval of the Director-General to the Directors with a copy to HoU concerned	Reception	+ 18 Weeks
Completed Action Plan		Reception	Sending	+ 21 Weeks
	Information	Control of adequacy action plan / recommendations	the ICC ⁵ , copy to S2	+ 22 Weeks
Eventual Auditee Satisfaction Survey (questionnaire) - IAC's selection of auditees - Auditees' answer		Sending ⁶ Reception	Reception Sending	+ 24 Weeks + 26 Weeks
Follow-up audit 1 - Updated Action Plan by S2 2 - Announcement of the follow-up audit	Validation	Reception Initiation	 Information	About 1 Year after completed action plan

3.1. Planning and Administration

3.1.1. Announcement letter

At least 2 weeks prior to the start of an engagement, the Head of IAC will send an announcement letter⁷ to the Directors concerned, copy to Head(s) of Unit(s) concerned giving information about the objectives of the audit and the potential risks.

The contact point will be the Heads of Unit of the Directorates concerned. Their role is to support within the Directorates the audit activities undertaken. The contact person should not interfere in anyway with the audit activities and should not place any restrictions on information to be provided.

The IAC will also ask the Management to notify all staff concerned on the possible use of "personal data" during the audit, as described in Council Regulation No 45/2001. This notification may be done in a standard note which is attached to the announcement letter.

3.2. Preliminary Survey & Fieldwork

3.2.1. Preliminary Survey

The purpose of the preliminary survey is to gain a better understanding of the business process/activity/unit included in the scope of the audit and the related risks in order to better define the objectives and scope of the engagement.

The auditor will expect to obtain relevant and reliable evidence sufficient to enable him to draw reasonable preliminary conclusions there from. The nature and extent of the tests, audit methodology adopted and choice of interviewees will vary according to the auditor's assessment of the area being audited and, where s/he wishes to place reliance on it, the system of internal control.

3.2.2. Fieldwork

The majority of the fieldwork consists of testing using a systems audit approach which involves an assessment of the Internal Control System followed by a strength/weakness analysis (tests of procedures). Where the operation of the systems and controls are assessed as being satisfactory, tests of transactions (tests of detail) are carried out to ensure they are effectively applied in practice. The IAC will immediately report to the Unit(s)'s management any significant weaknesses in the Unit(s)'s systems which come to the attention of the auditor.

Finding/Observation forms are created for any issues identified by either the tests of procedures or tests of transactions. All engagements by the IAC will involve a continuous validation process with the auditees during the fieldwork at an operational level. However, auditors do not send systematically working papers to auditees for validation in accordance with international audit standards. The average duration of the fieldwork is expected to take around 6 weeks. However, this may vary, depending on the concrete audit being performed.

As part of the fieldwork, the IAC will organise formal validation meetings with the auditee(s) (normally at Director or Head of Unit level for the process being audited). The aim is to reach, during the formal validation meetings, an agreement, at the appropriate hierarchical level, on the facts, which will not be reopened or questioned again in the final

stages of the audit. Therefore, the auditee(s) should put in place proper procedures (including, when necessary, escalation to the appropriate management level) in order to ensure timely (i.e. before the formal meeting with the IAC to discuss the Recommendations) internal validation of the facts/observations reported by the audit team. Agreements on the individual facts/observations should be recorded in writing after the validation meeting. With this procedure subsequent discussions can focus on audit recommendations.

3.2.3. Observations table

An "Observations table" (consisting of audit findings, indicating risks, possible recommendations, ratings and responsible officer - annex 1) will be issued by the IAC one week after the end of the fieldwork, and sent to the Directors concerned.

The IAC will organise one or more formal meeting(s) with the auditees (Directors, represented or not, assisted by a limited number of persons) no later than three weeks following the end of the fieldwork, i.e. two weeks after reception of the "observations table" by the auditees. Each meeting will have a limited number of auditees (10 up to 15).

This purpose of this/these formal meeting(s) is:

- to increase effectiveness, as Directors have to confirm their participation to the meeting as soon as possible (or communicate who will represent them);
- to reach an agreement on the content of the "Observations table" (annex 1), i.e. on the feasibility of the recommendations. The IAC will adapt/modify the "observations table", if necessary;
- to identify possible auditees' major discrepancies of opinion that will be written in the audit report.

For each finding/observation, one or more possible recommendations are issued by the auditors. During the meeting with the auditees, the IAC would normally suggest a responsible officer (Director or Head of Unit) among the auditees for the implementation of the recommendations (especially when the responsible officer has to coordinate the implementation of a recommendation with other stakeholders both within and outside his/her Directorate and to report on its implementation).

The concerned auditees have the duty to raise objections about possible legal constraints, the feasibility, the relevance, the impact on accountability and resources, if any, regarding the implementation of proposed recommendations. However, the Directorates/Units concerned should not expect the IAC to formulate detailed recommendations that are effectively an action plan, since drawing up action plans is a management responsibility of the audited Directorate(s)/Unit(s).

3.3. Reporting

3.3.1. Draft Report

The reporting process will consist of a draft report and a final report. All audit reports have a "Commission internal" security marking and could be further limited, depending on the needs for confidentiality.

The draft reporting process will be as follows.

- The draft report is sent to the Director-General and to the Director(s), within two weeks of the meeting on the "observations table" (as described in point 3.2.3 above). The Directors that have received the draft report are free to share it with their Heads of Unit.
- Comments from the audited services on any outstanding points of divergence arising from the draft report, including an indication of the acceptance or non-acceptance of the recommendations made, should reach the IAC no later than two weeks after the draft report has been issued or earlier as agreed by the two parties.
- Discussions with the auditee will be pursued on the draft report until changes are accepted or, in case of disagreement, the auditee's position will be annexed to the final report and a reference will be added to the executive summary.
- If no comments are received within the agreed deadline, the draft report is assumed to be accepted.

3.3.2. Final Report and Action Plan

The IAC incorporates the auditees' comments in the final report insofar as they are deemed relevant and useful. In case of auditees' major discrepancies of opinion (as stated in point 3.3.1. above), the auditee's position will be annexed to the final report and referred to in the executive summary.

The final report will be issued within four weeks of the draft report being sent to the auditee.

The replies of the auditees, together with an analysis of these comments by the auditor, will be attached to the final IAC report if and to the extent that they have not been taken into account in the report (e.g. recommendations not accepted by the auditees).

The list of recipients of the final report is limited to:

- The Director-General of the DG, Deputy Directors General, assistants, copy to Internal Control Coordinator and Heads of Units responsible for the implementation of the recommendations,
- The Head of the Cabinet(s) responsible for DG INFSO,
- The Director-General of IAS and the Audit supervisor of IAS in charge of DG INFSO,
- In exceptional cases, where there is a suspicion of fraud or conditions highly exposed to fraud, the IAC will send the final report to OLAF.

The Director-General of the DG INFSO will provide the auditees with a copy of the final report, and ask them to submit an action plan for those recommendations that have been accepted within three weeks of the final report.

Both the auditor and auditee will use their best endeavours to ensure that this timetable is respected and that, in the interests of the Commission, there are no delays in the validation process.

3.4. Quality Satisfaction Survey

At the end of some audits, as part of its quality control procedures, the IAC will send an auditee satisfaction survey questionnaire.

A written procedure (annex 2) describes how to ensure a good coordination in an efficient way by avoiding duplication and overloading of the auditees.

The results of this survey will be communicated to the auditee.

3.5. Follow-up

It is the duty of the management concerned within DG INFSO to ensure that accepted recommendations are effectively implemented or to formally accept the risk of not taking action.

The auditor will inform the Director-General when management accepts the risk of not taking corrective action on recorded audit observations. When the auditor believes that the auditee has accepted a level of risk that is unacceptable to the DG, Directorate(s) or Unit(s) concerned, s/he will discuss it with the management of the Directorate(s) or Unit(s) concerned. If the issue is not resolved, the auditor and auditee should report the matter to the Director-General. It is also the responsibility of management to develop and implement an action plan⁸ and thereafter, to organise and monitor the follow-up of the formulated and agreed-upon actions.

Unlike operational management which has a continuous monitoring responsibility, the internal auditors have an independent, discontinuous or periodic monitoring responsibility based on a risk assessment.

Depending on the seriousness of the observation, the follow-up will be performed in various ways:

- Follow-up by query to the coordinator/chef-de-file designated for reporting purposes;
- Follow-up by query and documentary or other checks to ascertain if corrective actions have been implemented on time; or
- Follow-up by audit in order to check that corrective action has had the desired effect.

The follow-up would normally only test critical or a sample of very important recommendations once these have been reported as implemented by the coordinator. If not all recommendations have been implemented after two follow-up audits and the IAC assesses the level of residual risk as high, the Director-General will be informed and the audit closed.

4. GENERAL RIGHTS AND OBLIGATIONS OF THE AUDITOR

4.1. Preamble

The Charter describes in detail the rights and obligations of the IAC in DG INFSO.

4.2. Rights

In line with the IIA standards⁹ and the IAC Mission Charter¹⁰, the auditor:

- is independent within the Directorate General,
- has no operational or management responsibilities or authority over any Commission activities,
- is not subject to any authority that may attempt to interfere in the conduct of IAC engagements or ask the IAC to make any alterations to the content of audit reports which do not correspond to the findings and proposals made during the audits and after the validation procedure with the auditee,
- has full and unlimited access to all persons and information required for the proper performance of his/her duties (i.e. what the auditor requires and not what management of the DG INFSO or Unit concerned thinks the auditor should have). This will include access to documents, IT systems, intranet of DG INFSO or Unit concerned and staff,
- must be informed at an early stage about the development of new systems and changes to existing systems that may substantially affect the DG's internal control system.

4.3. Obligations

In line with IIA standards and Code of Ethics¹¹, the auditor will:

- adequately plan, control and record his/her work,
- at all times perform his/her work objectively and impartially and free from influence or any consideration which might appear to be in conflict with this requirement. S/he will always have regard to any factors that might reflect adversely upon his/her integrity and objectivity in relation to an assignment,
- carry out his/her work by having a proper regard for the technical and professional standards expected of him/her,
- the IAC will adhere to the International Standards for the Professional Practice of *Internal Auditing* as drawn up by the Institute of Internal Auditors. Such professional standards will be applied in accordance with regulations applicable to Commission staff. In the event of discrepancies, requirements originating from EU regulations and Commission decisions shall take precedence,
- conduct himself/herself with courtesy and consideration towards all with whom s/he comes into contact in the course of his/her professional work,

- not disclose information acquired in the course of his/her work except where there is a legal duty to disclose,
- not use information acquired in the course of his/her work for his/her own personal benefit or for the advantage of any third party,
- provide the contact person(s) and the respective Heads of Unit with a list of persons to be interviewed beforehand. It will be up to the IAC to arrange the appointments at a time suitable to both parties,
- ensure that meetings are not postponed due to unavailability of staff by providing a suitable representative,
- inform the auditee about the findings and observations during the course of the engagement without delay.

5. GENERAL RIGHTS AND OBLIGATIONS OF THE AUDITEE

5.1. Rights

The auditee:

- will be kept informed of the progress of the assignment at regular times,
- will have meetings with the auditor, when necessary,
- can, at the discretion of the auditor, be provided with his/her working papers. Evidence gathered to support weaknesses mentioned in the observation forms will be made available if requested by the auditee,
- will have access to the Head of IAC at all times to discuss issues of concern to him/her.

5.2. Obligations

The auditee:

- will give the auditor the necessary freedom with which to exercise his/her independence of mind when collecting and assessing audit evidence. The auditee should therefore ensure that there are no attempts to restrict the rights and duties of the auditor. Independence also means that the auditor should be free to operate without being subject to pressure and intimidation from the management,
- will conduct himself/herself with courtesy and consideration towards the members of the audit team,
- should ensure that the auditor is not knowingly misled or have facts misrepresented to him/her and should use due professional care to avoid doing so unintentionally,
- should ensure that observers attending meetings are authorised by the auditors and do not hinder their work,

- will ensure that meetings are not postponed due to unavailability of staff by providing a suitable representative,
- will ensure that the observation forms are validated within 5 working days. The auditor's working papers are not to be validated by the auditees,
- will ensure that minutes of meetings or interviews by participants for approval are not distributed to third parties without the prior consent of the auditor unless there is a legal duty to disclose.

6. CONFLICT RESOLUTION

Any conflict between an auditor and auditee should in the first instance be resolved by the Audit Team Leader.

If no solution can be found at this level, it should then be escalated to the level of Heads of Unit or Directors and Head of the IAC.

Serious problems may be referred to the Director-General.

7. ANNEX 1 - OBSERVATIONS TABLE

Possible recommendations shown with the ranking (C - Critical, VI - Very Important, I - Important and D - Desirable)

TITLE:	ACCEPT: Y/N
DIRECTORATE / UNIT RESPONSIBLE:	
REPORT OBSERVATION NUMBER:	PRIORITY:
AUDIT FINDING (INCLUDING ROOT CAUSE):	
CURRENT RISK:	
RECOMMENDATION:	

8. ANNEX 2 – AUDITEE SATISFACTION PROCEDURE

Prerequisite

1. Maximum 2 surveys/year, spread over time with at least 4 months between them;
2. The auditee's satisfaction survey is not used for follow-up audits;
3. The selection of the auditees will be made and coordinated in an efficient way in order to avoid duplication and overloading of the auditees (max 1 survey / auditee / year).

Communication of the questionnaire

1. Sending the Questionnaire
 - Sent by the Head of Unit IAC to the selected auditees only by e-mail.
 - The auditee's satisfaction survey should normally cover all kind of profiles and include Directors and Head(s) of Unit responsible for system/process/area audited, as well as operational/financial/administrative individuals with key responsibilities and who were closely involved in the audit.
2. Receiving the Questionnaire
 - Deadline to be completed by the concerned auditees: 15 working days since the date of sending the questionnaire by the Head of Unit IAC.
 - The Head of IAC will receive directly the answers.

Analysis of survey

- The collected answers from the auditee's satisfaction survey will be managed with confidentiality.
- The survey results and possible areas for improvement will be discussed internally within the IAC of DG INFSO.

Action plan (how to improve the process)

- An action plan will be made in order to improve the IAC's way of working and published in the IAC's website.



Brussels,
INFO-01/ D(2008)

9. ANNEX 3 - AUDITEE SATISFACTION SURVEY QUESTIONNAIRE¹²

Internal Reference of the questionnaire	2008/SEQUENTIAL NR. (QUESTIONNAIRE)/ SEQUENTIAL NR. (AUDITEE)
AUDITEE NAME	(INSERT THE NAME)
RETURN BY (DATE)	(INSERT THE DEADLINE)
HEAD OF UNIT IAC	(INSERT THE NAME)
ENGAGEMENT NUMBER	
ENGAGEMENT NAME	
PERIOD OF THE AUDIT	

RATING	SCORING GRID
1	I agree
2	I partially agree
3	I disagree <u>Please comment in no. 11 "Additional Comments"</u>
N/A	Not applicable

(Please select only **one** rating per statement by writing the appropriate number from the scoring grid, or N/A as the case may be)

I - Specific to this audit

No.	ITEM	1	2	3	N/A
1	The engagement covered the most important risks within the audited activities/domains.				
2	The communication from the Internal Audit Capability <u>before</u> the start of the engagement and <u>during</u> the engagement was satisfactory (<i>audit was announced in due time – objectives and scope were well explained and discussed with the management – relevant observations and recommendations were discussed with you during the audit – draft versions of the report were sent and discussed (on paper or in a meeting) before the final report was issued ...</i>)				
3	The planning of interviews and/or tests was suitable and notified to you in advance enough to reduce disturbance of your daily operations.				
4	The audit team sufficiently solicited your concerns before the start of the audit and during the audit.				
5	During the audit the audit team addressed your concerns to your satisfaction .				
6	The observations in the report were correct and are acceptable .				
7	The recommendations in the report are creative , add value to the process (mitigate the major risks) and are practically applicable .				
8	The audit report is clear , concise and easy to understand .				
9	You received the audit report within an acceptable time .				
10	OVERALL OPINION – This audit helped to better understand and monitor the internal controls , the risk management and governance processes within the audited activities/domains.				

11. Additional Comments (Please also comment your ratings 3 -"I disagree"- from the table above). **In case of additional comments or suggestions we invite you to note them below.**

10. **Is there an area of concern to you that was not addressed during the audit?**

II - General to IAC INFSO

11. **Do you have any suggestions on how to improve the process for future audits?**
(any suggestion that might improve the mutual understanding and communication and the quality and the added value of our audits)

- 12 **What information necessary for your work would you like to see on the IAC website?**
(e.g. the IAC work plan, the IAC annual opinion, others, etc.)¹³

CNECT IAC Manual of Procedures: Pro 3

Strategic Audit Plan (3 years) and Annual Internal Audit Work Plan

1.- **References:**

- IIA Standard 2010 (<http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/>)
- Practice Advisories 2010-1, 2010-2
(<http://www.theiia.org/guidance/standards-and-guidance/ippf/practice-advisories/>)
- IAC Charter
- Auditnet web

2.- **Responsible:**

The responsible is the head of the IAC, with the help of the whole unit team and, in particular, the most senior auditor, as stated in the "Back-up list" document of IAC CNECT

3.- **Process:**

The process is explained in chapter 2 of the Mutual Expectations document, which is part of IAC methodology

Templates for reporting to the IAS are available at Auditnet web

4.- **Previous Strategic Audit Plan and annual plans:**

Information on previous strategic plans is available at

5.- **Detailed risk assessment and strategic audit plan for the period 2010-2012:**

The process is described in detail in the key document ref.

"Internal audit

work plan for 2010", signed by the Director General on 11th February 2010.

Although the document refers to the audit work-plan for 2010, it describes in detail the methodology followed to set up also the Strategic Audit Plan for 2010-2012.

5.1.- **Coverage:**

The IAS has developed a methodology to assess the financial coverage of the audits carried out, with regards to their related budget. The methodology distinguishes between audits of a financial nature and audits of a non-financial nature, the latest ones not contributing to the coverage.

As regards financial audits, the IAS distinguishes between Planning (e.g. Call for proposals to award decision), Implementation (e.g. contracts to final payments) and Closure (e.g. ex-post controls – including recoveries, evaluation), representing broadly of the financial coverage.

Horizontal audits at DG level (e.g. Implementation of Internal Control Standards or Financial Circuits across the DG) have been assessed to judge the extent, if any, to which they contribute to the budgetary coverage of financial audit units identified in the DG, up to a maximum of 20%. However, there should

not be overlap between the financial audits and the horizontal audits and, in any case, the total coverage could be higher than 100%

5.2.- **Documenting the risk assessment:**

Additional documents and exchange of e-mails with the IAS, which provides further details of the process, may be found at

A significant part of the methodology, as explained in the key document ref. "Internal audit work plan for 2010", consisted on interviews with Directors, which can be found at

Another basic document to set up the Strategic Audit Plan is the Management Risk Assessment, which is taken into account in IAC's Risk Analysis. The latest update from 2012 and can be found at

The role of internal auditing in Enterprise-wide Risk Management is detailed in an IIA Position Paper (<http://www.theiia.org/guidance/standards-and-guidance/ippf/position-papers/>).

The Strategic Audit Plan is updated yearly together with the Annual Audit Work Plan. The IAS requests annually an update of the Strategic Audit Plan (See).

Information available from previous audits, meetings and documents received are considered.

CONNECT IAC Manual of Procedures: pro 04

AUDIT ANNOUNCEMENT & EPM

1. The themes of the engagements are based on the Annual Work Program.
2. The audit lead requests one AMS administrator, the creation of the AMS Engagement before the commencement of work. The Title of the engagement should be agreed with the HoU and the team in advance, based on the Annual Work Programme.
3. The EPM AMS form is filled in as required by the IT tool, before the Announcement Letter is sent to the auditees. The time budget of the engagement is based on the Annual Work Plan, and the split between the phases is decided in agreement with the Audit Supervisor and the team, depending on the nature of the audit.
4. When the EPM is agreed, an AMS checklist is created for the Preliminary Survey. Standard checklists are available in AMS. Key documents to base the Preliminary Survey on are filed in AMS timely together with relevant conclusions, including risks identified.
5. The Announcement Letter and the Appendix to Announcement Letter signed by the Head of Unit, is sent via ARES to the relevant Auditees. An example of an Announcement Letter and the Appendix to Announcement Letter is attached here:



Announcement
Letter.doc



Appendix to the
Announcement Letter

6. A reference (to IAC's intranet) for the Mutual expectations paper and the note on Processing of personal data in the course of internal audits should be included in the Announcement Letter.

CONNECT IAC Manual of Procedures: Pro 5

Audit Risk Assessment (RA) – Risk Based Auditing

1.- References:

- IIA Standard 2200-Engagement Planning, 2201-Planning Considerations, (<http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/>)
- Practice Advisories: PA-2200-1: Engagement Planning, (<http://www.theiia.org/guidance/standards-and-guidance/ippf/practice-advisories>)
- Auditnet web (http://www.cc.cec/auditnet/methodology/ias_audit_process_en.htm)

2.- Responsible:

The responsible is the Lead Auditor together with the head of the IAC, with the help of the whole unit team.

3.- Process:

Based on all the information analysed in the Preliminary Survey (PS) (see Procedure No 6), a Risk Analysis (RA) is performed for the activity audited with the aim of focusing the audit work on most significant risks and prioritizing audit tasks.

4.- Detailed audit risk assessment

For each of the documents reviewed and interviews during the PS, a list of significant risks identified is included in the related WP's Conclusions. Objectives of the activity audited should be clearly identified by examination of relevant documentation and inquiry. A Risk Control Matrix (RCM) shall be used to organise the RA, collecting risks identified in all the WPs, listing:

Organisational/Process/Control/Engagement Objectives, related main Risks of not achieving Objectives, corresponding mitigating Controls in place, and reference to the corresponding Audit Procedures.

Explanation for the sequence: Objectives – Risks – Controls - Tests

In order to provide reasonable assurance whether the internal control system in place leads to achievement of Objectives, the risk analysis process should consider the objectives of the organisation, specific process objectives, control objectives, compliance objectives and audit objectives. Based on the information available, inherent risks of not achieving those objectives are identified. Key controls in place that mitigate those risks are also documented based also on Process Descriptions. Audit tests planned may be added in the same document or separately and cross-referenced.

The Control Risk is the risk that the controls in place are not mitigating the inherent risks. The Residual Risk is the risk that objectives are not achieved (or that the inherent risk triggers) even if those preventive/detective controls are in place to mitigate those risks.

Risk Formula

Residual Risk = Inherent Risk x Control Risk

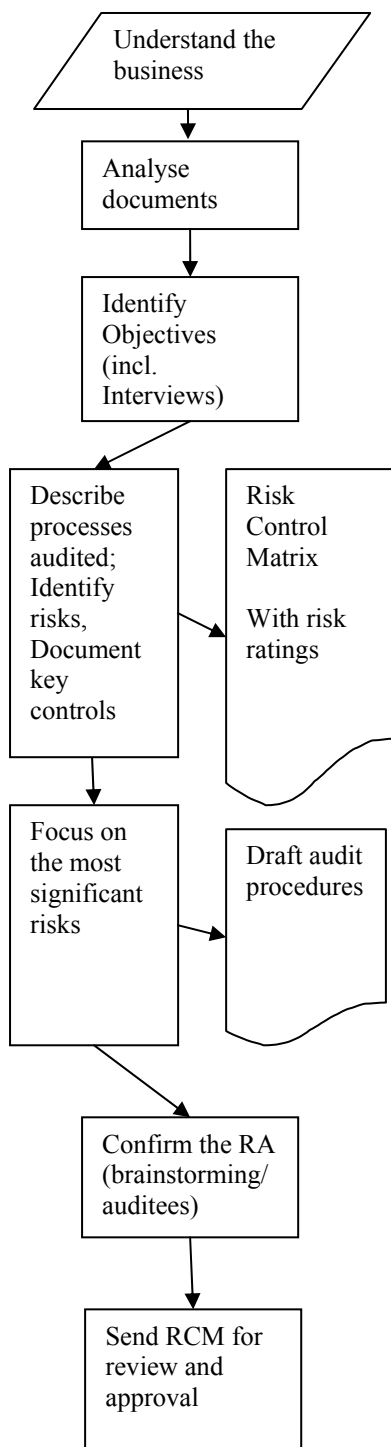


Risk-control matrix
template.xls

An example for an RCM header is attached:

For Examples of RCMs used in 2 different audits and the corresponding EWP, please refer to Procedure No 6.

Chart/workflow



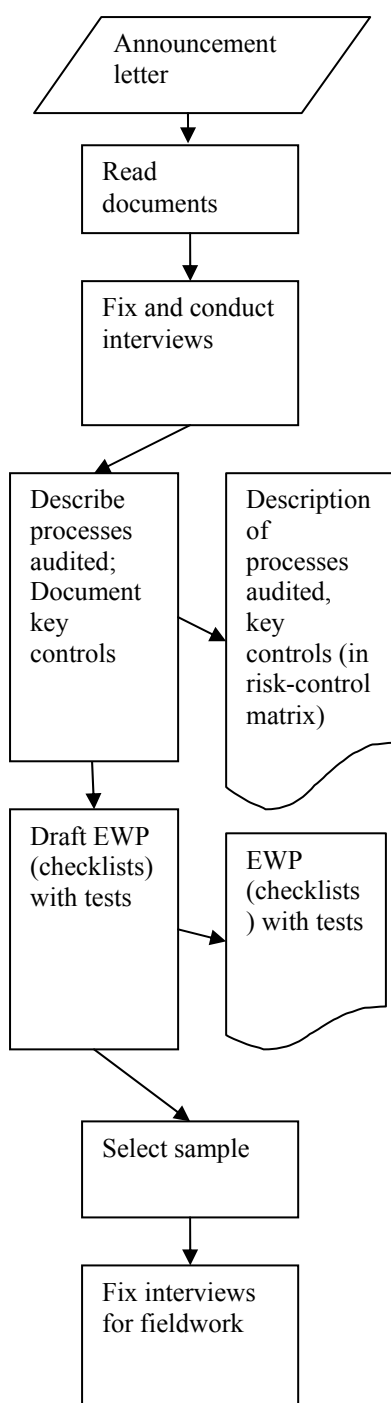
The main risks identified may be validated with the auditees. The risks should be rated based on their likelihood and impact. An Engagement Work Program (EWP) is drawn up based on the results of the RA. The EWP shall be approved by the Audit Supervisor prior to the Fieldwork start and it should cover the most significant risks identified in the RA.

The RCM should be updated during the fieldwork with significant information, together with the EWP. Changes must be approved by the audit supervisor.

Tips: for example, organise brainstorming with all the Unit

INFSO IAC Manual of Procedures: pro6

Preliminary Survey (PS) and Engagement Work Program (EWP)



References:

- IIA Performance Standard 2240-Engagement Work Program (<http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/standards-items/index.cfm?i=8276>)
- IIA Practice Advisory 2240-1

Procedure

- Follow the procedure set in the Mutual Expectations Paper (see pro02)

Objectives of the preliminary survey:

- Understand the activity audited and identify the objectives and the **main risks** associated, including **financial** risks and **legal** risks (compliance with the financial and legal rules and regulation applicable), **operational** risks (economy, efficiency and effectiveness of the operations being performed by the services audited) and **reputational** risks. This first week may also be useful to preliminary remark **existing controls** on the risks being identified.
- To get a clear view of the main existing **controls in place** to mitigate the risk inherent to the activities audited.
- To **document the processes** being audited, showing objectives, main process steps, significant risks and key controls **and to establish the agreed EWP (checklists)**, that will be performed during the field-work.

The structure of preliminary survey:

- **Read main documents related to the activities audited** (description of procedures, former audit reports – IAC, IAS, ECA; etc) with the aim of getting a comprehensive overview and understanding of the processes being audited and the associated risks. The information gathered and analysed should cover **objectives of the organisation in the areas audited, activities, processes, IT systems, legislation applicable, key actors and organisation chart**. This first week should therefore allow for elaborating a preliminary risk analysis of the processes as well as eventual controls in place. As a practical and general guidance for recurrent documents to be included in the analysis, refer to the AMS standard 'Preliminary Survey' checklist (e.g. SPP cycle documents, Permanent file of the audited activity, Mission Statements, Websites etc).

- **Fix interviews** (via secretaries) for the following week

with the key operational, financial and IT actors (eventually also legal experts) and later **conduct** them, with the aim of acknowledging the main existing controls on the risks identified initially. Use the interviews to further check the impact and likelihood of the risks initially foreseen, to add new risks and to get a better understanding of the processes being audited.

- Document the **eventual lack of sufficient controls** to mitigate one or some of the risks identified.

Details on the Risk-Control Matrix (RCM) are described in Procedure No 5 "Audit Risk Assessment".

- Draft a document **describing the main processes audited** (responsible, flow of information, risks identified, existing controls, etc.). Draft the **Engagement Work Program (checklists)** with all the **tests** to be performed on the different controls identified to address the results of the Audit Risk Assessment. **Select the sample** of transactions to be tested, by using either statistical or non-statistical sampling methods. Ensure yourself that the controls are functioning adequately and regularly during the period subject to the audit.

IAC does not have a template of the EWP (checklists) – as an example workprogrammes of previous audits might be used:

Example 1: EWP for Evaluation of Evaluation of Proposals



Audit workplan -
Evaluation of proposa

Example 2: [EWP for Evaluation of Programmes](#) (GRC link)

- **Fix interviews** with the key actors involved in the activity audited who will provide with the necessary feed-back to complete the PS.

Reporting steps:

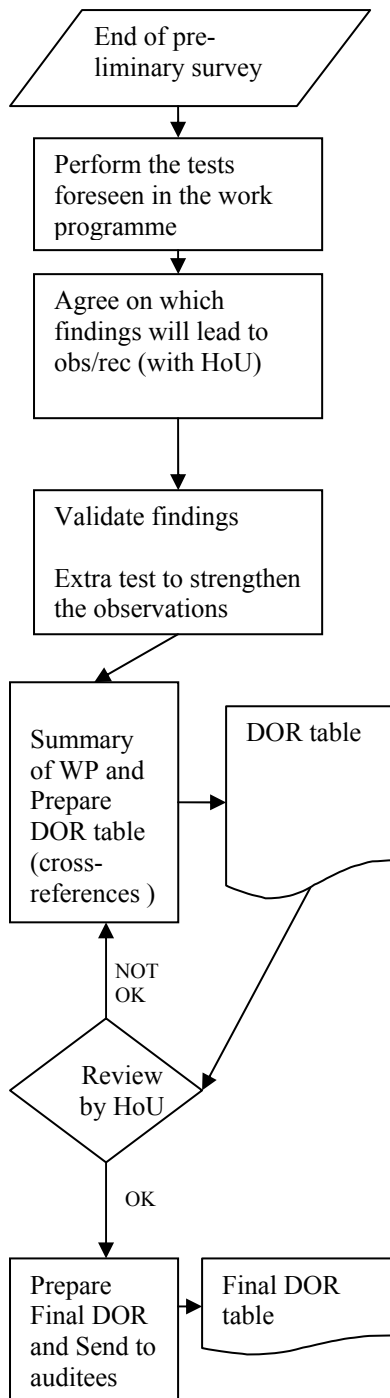
- The last day of the first week (normally Friday), a written document with the **main risks** encountered will be submitted and discussed with the Head of Unit (HoU).

- The last day of the second week (normally Friday), a written document with the main **existing controls** addressing the risks identified will be submitted and discussed with the HoU.

- The last day of the third week (normally Friday), two written documents, one with the **description of the processes** being audited and the other one with the **programmes / checklists** to be performed will be submitted for review and discussed with the HoU.

- The Audit Supervisor (HoU) approves the WP at the end of PS.

INFSO IAC Manual of Procedures - Procedure 07: Fieldwork and Findings



Objectives of the fieldwork:

- To **assess** the effectiveness of governance, risk management and control processes being audited.
- To conclude on the **internal control system** of those processes.
- To highlight/draw the **observations and recommendations** in case one or more of the controls are not functioning properly and are therefore not mitigating the risks.
- To validate observations, recommendations and risks with auditee.

The structure of the fieldwork: (average duration: 6 weeks)

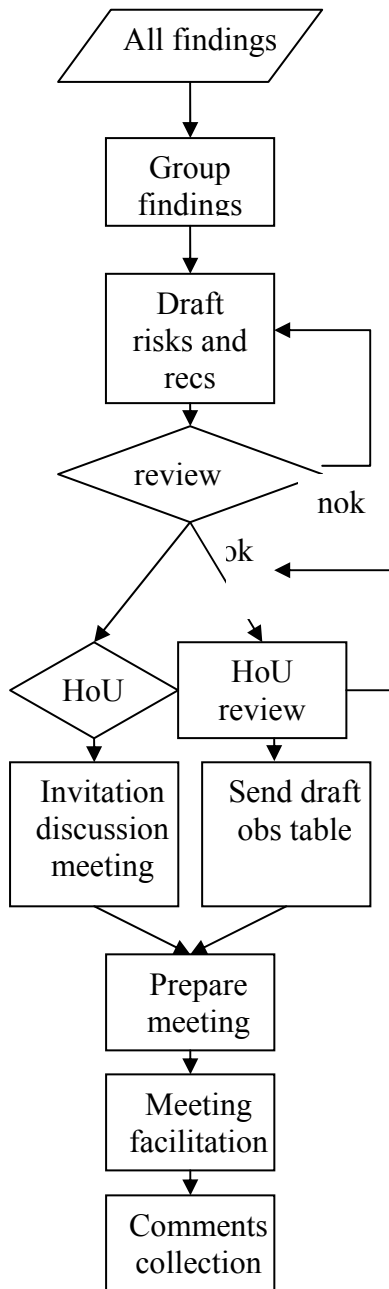
- During the first and second week of the fieldwork, perform the tests foreseen in the work-programmes/checklists on the different controls identified. The tests must prove and provide evidence on the adequate and regular functioning of the controls in place during the period subject to audit.
- Evaluate the implications for the audit of the **non-existence of controls** to mitigate one or more identified **risks**.
- Unit team need to agree with the HoU on the findings to eventual observations and/or recommendations or any other practical consequence (e.g. being mentioned in the audit).
- Confirm/validate all factual elements (findings) with the auditees (by interview or email) or by testing. If needed perform extra test to strengthen some observations. This should lead to evidence which is sufficient, competent, relevant and useful.
- Prepare a summary of the tests (or working papers) that describes the significant matters identified during the audit, how they were addressed and the cross-references to the supporting audit documentation and to the Draft Observation and Recommendations (DOR) table. [Example](#).
- Draft the DOR table.
- Submit a first draft of DOR to the HoU.
- The eventual changes, following the review of the HoU should be discussed and the DOR table redrafted.
- The agreed draft DOR table has to be sent to all directors responsible for the activities being audited for a discussion that takes place in a validation meeting two weeks later.

VERY IMPORTANT:

Audit evidence in AMS or any other eventual Audit Management tool used by the IAC must necessarily reflect this logic: RISKS-CONTROLS-TESTS ON CONTROLS – OBSERVATIONS/RECOMMENDATIONS and must allow for an easy track of this path to any eventual audit supervisor/reviewer of the audit work.

INFSO IAC Manual of Procedures: pro08

Draft observations table, discussion meeting



Group findings into observations

- Check ALL findings have been considered
- Consider also positive findings (strengths) and issues for consideration
- Consider and discuss many different possible grouping solutions
- Map tests (or working papers) into observations, strengths and issues for consideration, if any. [Example](#)

Draft observations table, risks, recs

- Verify evidence of the findings (sufficient, relevant and reliable)
- If needed do extra tests in order to have findings which soundly support the observation
- verify finding info (condition=fact&figures, criteria=rule/standard/principle, effect= risk/impact, cause)
- recommendations should respect management responsibility for action

Review

- Objective 5C: reach a correct, concise, clear, consistent & complete version (in a reasonable time: *apply 80/20 rule, it means that with 20% of the effort you can get 80 % of the result*)
- Use iteratively track changes, discussions on B points, new versions
- In case of disagreement between auditors the Auditor in charge has the responsibility to conclude.

Discussion/validation meeting

- Example of [invitation](#) for discussion meeting

Meeting preparation (if you fail to prepare, prepare to fail)

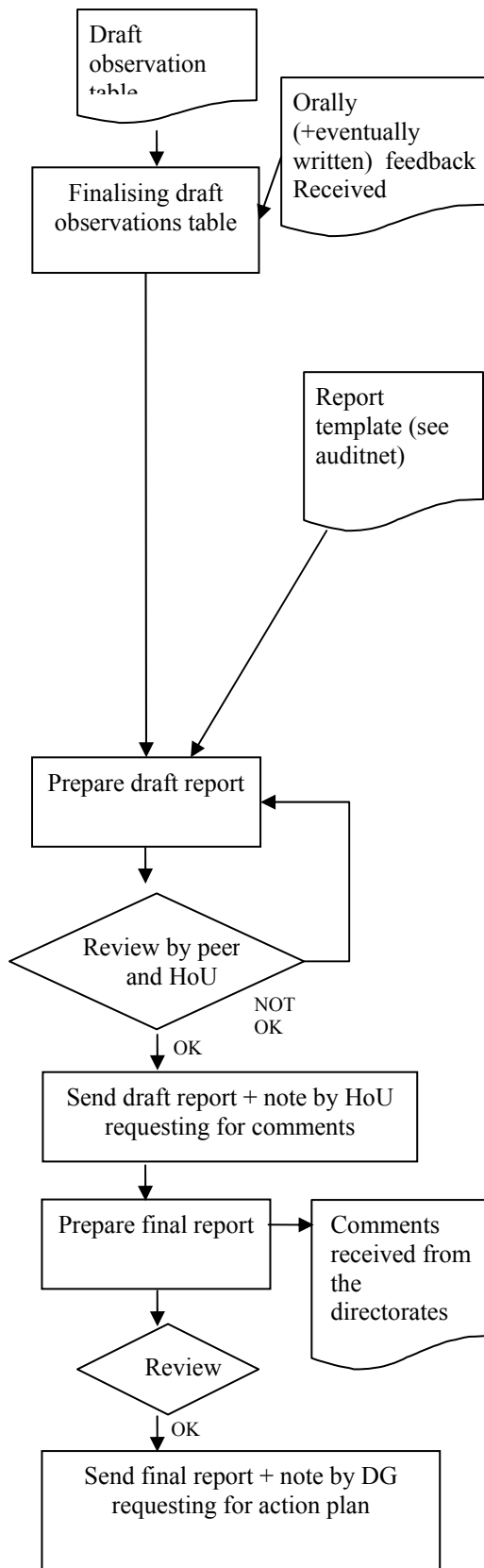
- Example of [ppt presentation](#) for facilitating
- Make "dry run" of presentation
- Book meeting room, order coffee, test barco, PC and network
- *No more than 2h, monitor average time for discussion*

Meeting output

- Take note of any major comments
- If judged necessary, some auditee can be invited to submit written comments within a given deadline (of few days).

CONNECT IAC Manual of Procedures: pro9

Contradictory phase and final report



Start of the contradictory phase

- The formal contradictory procedure starts after the meeting where the draft observation table is discussed. Written comments can be given by the auditees however the written comments may not delay the drafting report (so there is deadline for written comments of a few days)
- Draft observations table + eventual received written comments of Directorates must be uploaded in AMS

Prepare the draft report

- Auditors should include, as much as possible, the comments of the auditees in the observations table. The HoU must approve the modifications and the HoU will also be informed he comments of the auditees which the auditors did not take into account and the reason why .
- On basis of the new observations table the auditors prepare the



IAS template

draft report (template on audit net)
(tip : look also at recent audit reports for examples)

- Attention to the front page of the draft audit report:
 - addressed to the auditees (directorates)
 - in copy to the DG, deputy DG and assistants
- Eventually, following the need, there can be a report review organised. It is an ad hoc decision of the HoU or audit lead.

Sending out the draft report

- The draft audit report is sent out via ARES to the auditees (relevant Directorates) and to DG, deputy(ies) DG, assistants. In the note we ask for comments on the draft audit report including an indication of the acceptance of the recommendations made. Deadline for comments is normally 2 weeks (refer to Mutual expectations procedure).



Note FSP to Directors - template.c

- The note + the Ares reference should be uploaded in AMS
- If no comments are received in the due timing, a reminder has to be sent
- The received comments should be uploaded in AMS

Prepare the final report

- Auditors should include, if possible, the received comments in the audit report.
Maybe we should add such a nice sentence to our reports as well (as per 'IAS report – executive summary') – to be discussed in Unit mtg for agreement to update MOP
The fieldwork was finalised end of November 2012. **All observations and recommendations relate to the situation as of that date. However, information provided during the validation phase was duly taken into account when finalising the audit engagement.**
-
- The modified version of the audit report should be first agreed in the audit team and then discussed with the HoU. The HoU will approve the track changes and will also take note of the comments of the auditees which the auditors did not take into account.
- Discussions with the auditee will be pursued on the draft audit report until the auditee accepts that some comments are not taken into account, or in case of continuous disagreement, the auditee position will be annexed to the final audit report and a reference will be added to the executive summary. Discussion with the auditee in this phase will be mainly done by the HoU or the deputy HoU.
- Note : Front page of the final audit report: addressed to the DG and in copy to the auditees (directorates), deputy(ies) DG and assistants

Sending out the final report

- The final report with the template for an action plan will be sent to the auditees by our unit (for more details look at procedure CONNECT IAC_pro11)



action plan template

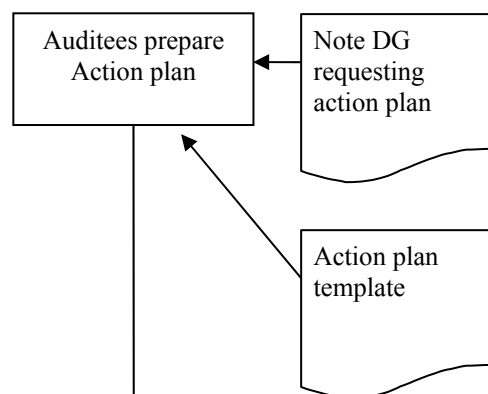
- The note + link to Ares document should be uploaded in AMS


INFSO IAC Manual of Procedures: pro10


Action plan

Start

- The final report has been sent with a note of the Director General to the audited directorates. In the note Director General asks to make an action plan. The deadline is normally three weeks.




Note director
General - Final Report

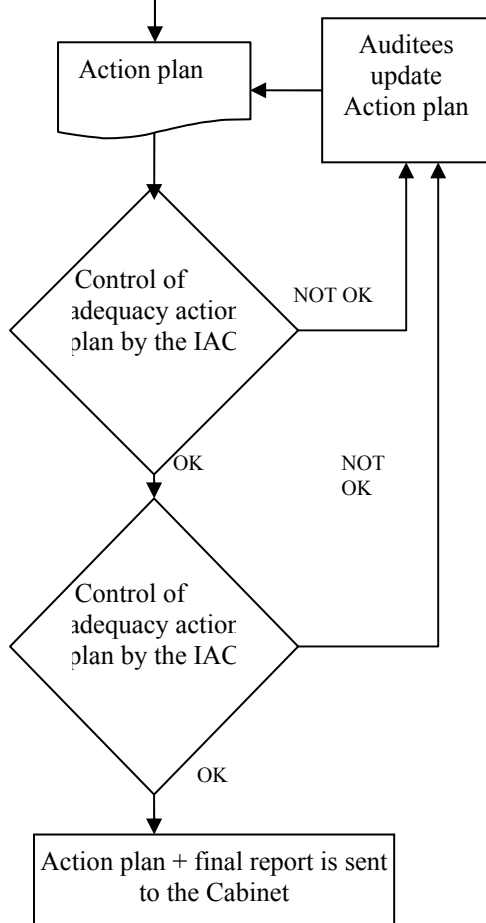

action plan template

Prepare the action plan

- The auditees prepare their action plan.
- If several directorates are involved in the preparation of the action plan the consolidation of the several action is by preference done by the auditees themselves.
- In some cases it is however the IAC who consolidates the action plans of the different directorates involved.

Control of the adequacy of the action plan

- The auditors examine the adequacy of the action plan and discuss it with HoU.
- At the next Audit, Internal Control and Budgetary Committee ("the Committee") the action plan is discussed. Eventual contradictory views between auditors and auditees on the action plan are settled and then the action plan is formally endorsed.



Sending out accepted action plan (and final report)

- The accepted action plan is sent together with the final report to the Cabinet
- The notes + the Ares reference should be uploaded in AMS
- The file "IAC open audit recommendations" in J:\ is updated with the new recommendations and actions (J:\IAC open recommendations).

CONNECT IAC Manual of Procedures: pro11

Transmission of audit results

Documents with audit results to be transmitted

- Draft observation table
- Draft audit report
- Final audit report

Transmission of draft observation table

- Prepare a note to the draft observation table adapting the template (after getting final approval of the draft observation table from HoU 01)
- The deadline for sending comments should not be more than 10 working days after a meeting with auditees regarding findings in observation table
- Send note + draft observation table via ARES to:
 - To: Auditees involved (directors of directorates that were part of the audit), HoU 02
 - Cc: HoU 01, auditors performing audit
- Last date for sending a note + draft observation table is 2 days before a meeting with auditees regarding findings in observation table

Transmission of draft audit report

- Prepare a note to the draft audit report adapting the template (after taking into consideration comments from auditees on draft observation table and getting final approval of the draft audit report from HoU 01)
- The deadline mentioned in the note for sending comments on draft audit report should not be more than 10 working days
- Send a note + draft audit report via ARES to:
 - To: Auditees involved (directors of directorates that were part of the audit)
 - Cc: DG, deputy directors, assistants of DG, HoU 02, HoU 01, auditors performing audit

Transmission of final audit report

- Prepare a cover note to the final audit report adapting the template (after taking into consideration comments from auditees on draft audit report and getting final approval of the final audit report from HoU 01)
- Send a cover note + final audit report + template of action plan via ARES to:
 - To: DG, deputy directors, assistants of DG, HoU 01, auditors performing audit
 - Cc: Auditees involved (directors of directorates that were part of the audit)
 - Cc: IAS ("ve_ias.iacs reporting")
 - Assign the same ARES document to Yves Motteu with a message/instructions "Please send this audit report to ECA"
 - Check-list to be completed by the audit lead and the secretary (and included in GRC as evidence once signed by both of them) before sending a final report:

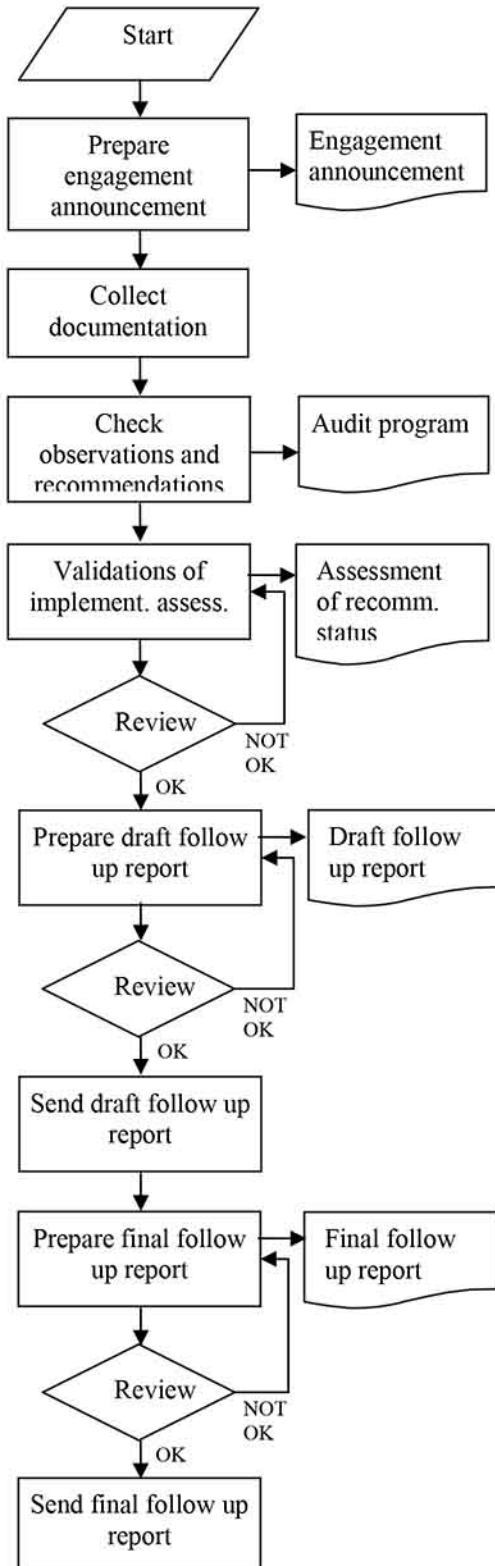


H:\10 - Methodology\
7 - Manual of Procedure

-
- After AICB Committee discuss the action plan, prepare a note to CAB in ARES with the final audit report and the final action plan (**check again who signs the note, it should be DG**)

INFSO IAC Manual of Procedures: pro12

Follow up audits (fup)



Start of follow up audit

- Follow up audit starts approximately 1 year after the issue of audit report
- Take into account the target dates for the implementation of the recommendation as stated in the action plan
- Follow up audit starts when the large majority of recommendations has been assessed by management as implemented

Engagement announcement

- Prepare engagement announcement note. Please find attached an example of engagement announcement note and its appendix.
- Engagement announcement note is checked, approved and signed by HoU
- Send engagement announcement note to Directors of Directorates who need to implement recommendations according to audit report; send copy to DG and DDGs inquiring on the status of implementation of recommendations,

Collect documentation

- Collect audit report, action plan, comments from auditees on report, etc

Engagement Work Program

Read carefully the initial audit report, the recommendations, the action plan, and auditor's position on the action plan in order to understand the outstanding risks and actions.

Based on the information received from auditees on the status of implementation of recommendations, draft the EWP. The EWP lists tests necessary to assess the status of implementation of each recommendation.

For an example of an EWP for a fup engagement refer to the GRC link

Check observations and recommendations

- Check recommendations to review comments provided by auditees supporting the recommendations
- Verify completeness otherwise, request that file to be prepared

by auditees for all recommendations considered to be implemented

- Arrange meetings with auditees to discuss implementation/testing of recommendations

Validations of implementation assessment

- Assess the implementation of recommendations based on the supporting evidence provided by the auditees, interviews and tests performed for each recommendation, focusing on the Critical and Very Important Recommendations.
- Complete the reviewer sections in the recommendations in Issue Track (reviewer field and residual risk field) (if the case).
- Consider whether management has formally accepted the risk of not taking actions for certain recommendations.

Prepare draft follow up report

- Prepare draft follow up report using the template from a previous engagement where the parts to be



H:\10 - Methodology\
5 - Toolkit\3 - Reporti

changed are highlighted:

Send draft follow up report

- Prepare a note to draft follow up report adapting the [template](#)
- A note to draft follow up report is signed by HoU
- Send draft follow up report together with the note to Directors of Directorates who needs to implement recommendations according to audit report and a copy to DG, DDGs and assistants

Prepare final follow up report

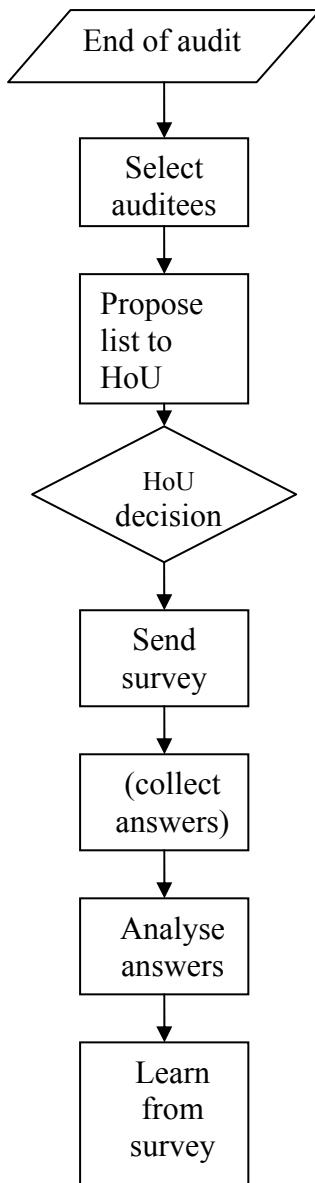
- Prepare final follow up report based on the draft report.

Send final follow up report

- Prepare a note to final follow up report *for directors* adapting the [template](#); a note is signed by DG
- Send final follow up report together with the note to Directors of Directorates who were responsible to implement recommendations from audit report and a copy to DDGs and assistants
- send a note and final follow up report also *to IAS*
- Prepare a note to final follow up report *for cabinet* adapting the [template](#); a note is signed by DG
- Send final follow up report together with the note to commissioner and copy to cabinet, DDG, assistants and HoU

CONNECT IAC Manual of Procedures: pro13

Auditee satisfaction survey



Procedure

- Follow the procedure set in the Mutual expectations paper
- Prepare survey while waiting for the action plan from the auditees

Selection of the auditees

- Directly involved in audit – all levels of hierarchy and across all the Directorate-General (if possible all units and directorates taken into account)
- Preferably 5-10 auditees per audit
- In order to avoid duplication and overloading of auditees, [a list of persons to which the survey was sent](#) is kept (current file contains data from the beginning of 2013)
- General rule is max 1 survey per auditee in one year
- Propose to HoU the list of people to which survey will be sent

Preparation of the questionnaire:

- Use IPM system:
- To log in:
- Use the [questionnaire](#) template available on the units' sharedrive or the last version of Satisfaction Survey from IPM
- Survey should stay opened 15 working days

Communication of the questionnaire

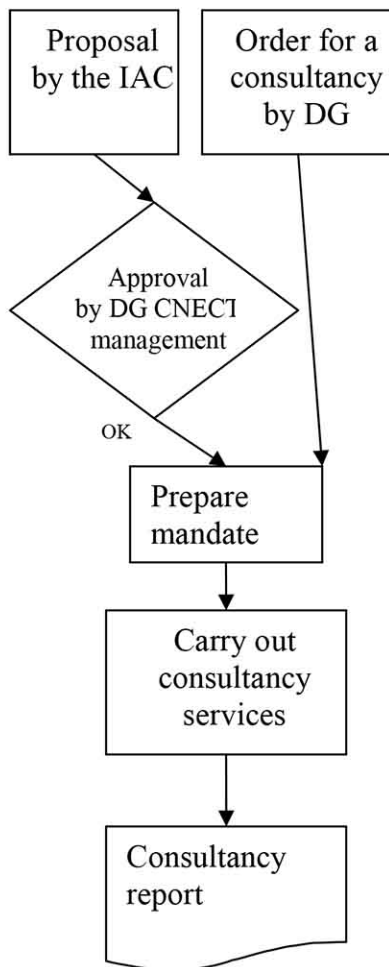
- Send an e-mail to each auditees in **Bcc** adapting the [message](#) template
- This e-mail should be sent to the auditees as soon as the Action Plan is approved by the AICB Committee, however not later than 2 weeks from the day of the AICB Committee meeting.

Analysis of survey

- The collected answers to the auditee satisfaction survey will be saved in the Unit's share drive under the relevant audit and managed confidentially. Answers will be also saved in GRC.
- The survey results will be analysed and discussed at the Unit meeting. Any action for improving the internal audit process will be recorded in the Unit meeting minutes.
- Upon the request of the DG, the HoU will send the results to him/her
- Close the survey in IPM after expire date

CNECT IAC Manual of Procedures: pro14

Consultancy engagements



Special reports (consulting engagements, enquiries, potential fraud investigations, etc)

1. Introduction

Consulting services are a case by case activity, which can be allocated by the Director General to the IAC or proposed by the IAC to the Director General and subject to his (and the rest of DG CNECT management) approval.

IAC's participation in working groups and/or task force meetings; training provided can also be seen as part of its consultancy activities.

2. References

- International Standards for the Professional Practice of Internal Auditing (<http://www.theiia.org/guidance/standards-and-guidance/ippf/standards/>)

Extract from IIA Standards (Glossary)

"Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training."

- Practice Advisories (<http://www.theiia.org/guidance/standards-and-guidance/ippf/practice-advisories/>)

- IAC Charter
- Auditnet web

3. Responsible

The responsible is the head of the IAC, with the help of the whole unit team and, in particular, the auditor having better background, skills and experience, depending on the area on which the IAC is providing its consulting services or is enquiring or investigating (see the "Back-up list" document of IAC CNECT)

4. Procedures

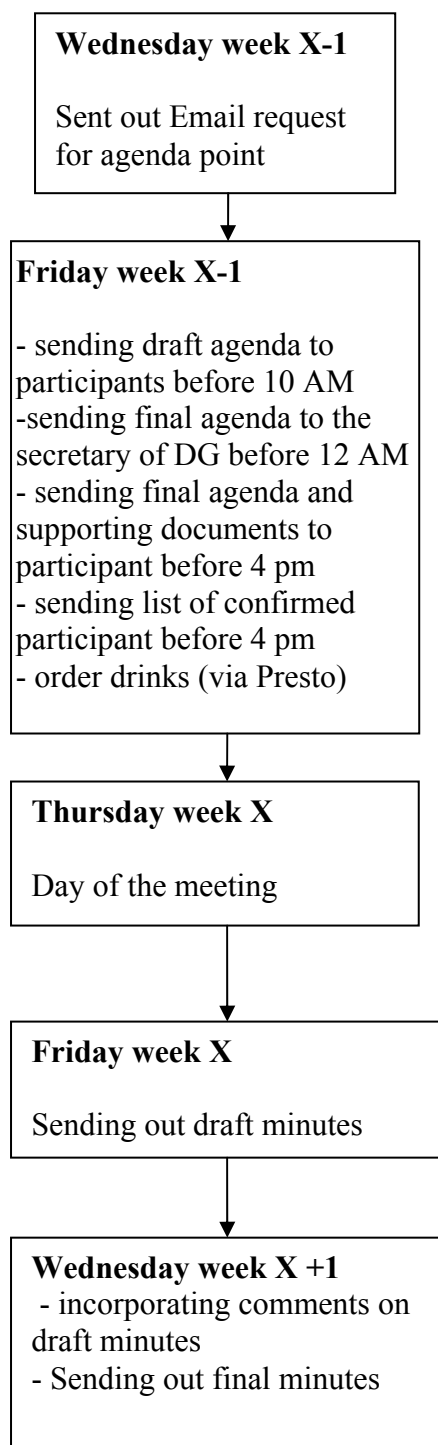
The procedures for assurance audit engagements, like outlined in the mutual expectation paper, can be simplified and adapted to suit consultancy engagements

5. Examples of previous consultancy engagements

INFSO IAC Manual of Procedures: pro15

Audit, Internal Control and Budgetary Committee (AICB Committee)

- 1.- Information from previous meetings are in H:\08 - IAC functioning excluding staff matters\1 - Meetings\AUDIT & CONTROL COMMITTEE\2010.
- 2.- All e-mails related to the Committee should be sent in copy to HoU.
- 3.- HoU decides who will attend the meeting in case he is absent.



- **Wednesday one week before the meeting** - IAC sends an e-mail to participants (except DG), with a draft agenda already including points from IAC, asking the participants for their points to be added to the agenda, as well as supporting documents, **by Thursday (the next day) at 4 pm am at the latest.**

- **Friday one week before the meeting** - **before 10 am** IAC sends the draft agenda to participants (except DG) **asking for confirmation of correctness by the same day at 11:59 am, at the latest**

- **Friday one week before the meeting** - **before 12 am** IAC sends the agenda to the secretary of DG so that it is attached to the mgmt team agenda of following Monday

- **Friday one week before the meeting** - **before 4 pm** IAC sends the agenda and supporting documents to participants, **including minutes of the latest meeting and follow-up table**

- **Friday one week before the meeting** - **before 4 pm** IAC sends a list of participants having confirmed their presence at the meeting, to the DG (cc assistants). **Always remind the assistants of DDG** that "DDGs will appoint a director to attend the meeting in case they cannot attend it, in addition to their assistants".

- **Friday one week before the meeting** - send the final agenda to the secretary of DG and to the assistants mailbox so the paper file can be prepared

- **Friday one week before the meeting** - order drinks in PRESTO

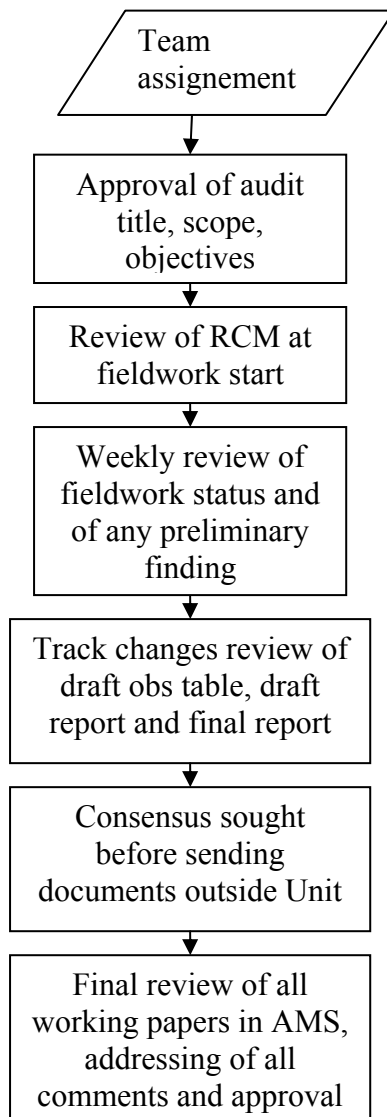
- **Day of the meeting** - (BU25 06/152) - AUDIT, INTERNAL CONTROL AND BUDGETARY COMMITTEE

- **Day after the meeting** - IAC sends the draft minutes and the updated follow-up table to participants (except DG) **asking for their comments by the next Monday at 5 pm, at the latest**

- **Wednesday one week after the meeting** - IAC either incorporate **all comments** from participants to the final minutes or convince the participants to accept IAC's drafting

- **Wednesday one week after the meeting** - the final minutes are sent to all participants and DG via ARES

CONNECT IAC Manual of Procedures - Procedure 16: Audit Supervision



Who

- There are (at least) 2 levels of supervision to the audits: from the Auditor in charge and from the Head of Unit.

Supervision from Auditor in charge

The auditor in charge supervises the audit work done by:

- Setting up and validating a global audit planning and task list for the audit ([example](#))
- Ensuring each audit working paper is timely reviewed by at least one different person. AMS gives formal evidence of reviews.
- Regularly and systematically discussing with auditors, during audit team meetings or in one-to-one contacts, any blocking or controversial issue, unclear result, new information to be addressed.
- Reviewing with auditors the advancement of the audit work, at least weekly but increasing the frequency if critical to meet deadlines. The audit planning is updated.
- Escalating to Head of Unit any issue that could sensibly compromise the result of the audit or that requires manager intervention.

Tips & tricks

- *Auditor in charge may propose, discuss and agree with auditors on a "way of working" at the beginning of the audit to have a common understanding on the way to proceed and to relate to each other.*
- *Keep distinct versions (0.1, 0.2, etc.) of documents that require subsequent input reviews from many actors. Changes remain in track changes until acceptance/discussion => new version is created with track changes accepted.*
- *Fieldwork planning and update example in [sheet 2 and 3](#)*

Supervision from Head of Unit

- As part of his/her supervisory activities, the Head of Unit (HoU) establishes policies and procedures to guide the internal audit activity (PA-2040.1) and monitors their effective implementation in individual audit engagements.
- The HoU designate auditors to engagements, who collectively possess the required knowledge, skills, and other competencies to carry out the engagement (PA-2340.1).
- He/she supervises the whole process from planning to communication of results and meets at least on a weekly basis with the whole team to provide appropriate instructions.

- He/she reviews and approves the engagement planning (PA-2200.1) and the engagement work programme (PA-2240.1).
- The HoU ensures that conclusions of engagement working papers adequately support engagement observations and recommendations.
- The HoU supervises engagement communications (audit reports), ensuring they are accurate, objective, clear, concise, constructive, and timely sent to the auditees, following the IAC's annual plan.
- The HoU minimize the risk that internal auditors make professional judgments or take other actions that are inconsistent with the HoU's professional judgment and also resolves differences in professional judgment between the internal audit staff e.g. nature and extent of tests).
- The HoU ensures that working paper in AMS or any other filing system used in future include a clear and updated conclusion, with explicit reference to its repercussion on the audit report and ensures also that working papers are always cross-referenced. Working papers should support the bases for the observations and recommendations to be reported and therefore their conclusions must be the same than the conclusions expressed in observations/recommendations. As stated in the practice advisories, working papers include the engagement s final communications and management's responses.
- When clearing review notes, the HoU takes care to ensure working papers provide adequate evidence that questions raised during the review are resolved.