

EUROPEAN ORGANISATION FOR THE SAFETY OF AIR NAVIGATION

EUROCONTROL

- Decisions of the Permanent Commission -

DECISION No. 122

amending the Terms of Reference and Rules of Procedure of the Audit Board

THE PERMANENT COMMISSION,

Having regard to the EUROCONTROL International Convention relating to Co-operation for the Safety of Air Navigation, amended by the Protocol signed at Brussels on 12 February 1981, and in particular Article 7.4 thereof and Article 22bis (2) of Annex 1 thereto, relating to the Statute of the Agency, as variously amended;

Having regard to Article 21 of the Terms of Reference of the Audit Board and to Article 10 of the Rules of Procedure of the Audit Board;

On the proposal of the Audit Board and of the Provisional Council,

HEREBY TAKES THE FOLLOWING DECISION:

Article 1

The attached versions of the Terms of Reference and Rules of Procedure of the Audit Board are hereby approved.

Article 2

The present Decision will come into effect on the day of its signature.

Done at Brussels on 9.5.13



P. HENTTU
President of the Commission

TERMS OF REFERENCE OF THE AUDIT BOARD

1. The Audit Board is a standing Board of the EUROCONTROL Commission, created in application of Article 22bis of the Statute of the Agency.
2. Further to Article 22bis paragraph 1 of the Statute of the Agency the Audit Board shall exercise the external audit function of the Agency.
3. The scope of the Audit Board's work shall be to cover all operations of the Agency. For this purpose, the members of the Audit Board shall be given full access to the EUROCONTROL premises and staff, and to the relevant EUROCONTROL procedures, decisions and documents, on paper and on electronic media.
4. The Audit Board shall conduct its work according to the International Standards on Auditing (ISAs).
5. The Audit Board shall organise its work independently. In particular, it shall determine the working arrangements it deems necessary for the proper performance of its tasks. It shall also determine the scope, methods and resources required to conduct its audits.
6. The Audit Board shall assess the extent of reliance that it may place on the internal audit function.
7. The Audit Board shall report to the Commission via the Provisional Council, or via the enlarged Committee where the financial management of the Route Charges System is concerned.
8. The Audit Board shall be consulted on any proposed amendment to:
 - a. the Financial and Contract regulations of the Agency and their Rules of Application,
 - b. the Financial Regulations applicable to the route charges system and their Rules of Application,
 - c. the Regulations of the Pension Fund,and shall be given the opportunity to express its views before transmission of the proposals to the appropriate decision-making bodies for approval.

Composition and Organisation

9. Further to Article 22bis paragraph 3 of the Statute of the Agency, the Audit Board shall be composed of six members, to be designated by six Member States on a rotation basis, according to the French alphabetical order of the Signatories to the revised Convention, for a term of office of four years. Each State may also designate a deputy member. The detailed process for the designation of members and deputies is included in the Audit Board's Rules of Procedure.

10. The members and deputies of the Audit Board shall be independent from the Agency. In order to avoid potential conflict of interest, they shall also be independent from the Civil Aviation Authorities (CAAs) and the Air Navigation Service Providers (ANSPs) of the EUROCONTROL Member States. Ideally, members and deputies should originate from the States' Supreme Audit Institutions as this will ensure independence and knowledge of INTOSAI's best practices principles for the operation of Audit Board arrangements.
11. Members and deputies of the Audit Board shall neither solicit nor accept instructions from any government or other body. They shall refrain from any act incompatible with the character of their functions. They shall not undertake any other function within, or on behalf of, the Organisation.
12. Members and deputies shall not have a close relationship with a member of the staff of the Agency that could put their integrity and independence in doubt.
13. No observers shall be admitted to Audit Board meetings.
14. The Audit Board shall be invited, with observer status, to the sessions of the Provisional Council and of the enlarged Committee and to the meetings of the Standing Committee on Finance.

Functions

15. Further to Article 22bis paragraph 1 of the Statute of the Agency and Article 2 above, in the exercise of its functions, the Audit Board shall, in accordance with the International Standards on Auditing (ISAs):
 - a. examine and certify annually the financial statements of the Agency, including the regularity of receipts and expenditure, in accordance with the provisions of the Financial Regulations of the Agency, and give its opinion on the financial statements of the Agency;
 - b. examine and certify annually the balance sheet and administrative account of the Route Charges System, including the regularity of receipts and expenditure, in accordance with the Financial Regulations applicable to the Route Charges System, and give its opinion on the balance sheet and administrative account of the Route Charges System;
 - c. examine and certify annually the financial statements of the EUROCONTROL Pension Fund, including the regularity of receipts and expenditure, in accordance with the provisions of the Financial Regulations of the Agency and with the Regulations of the EUROCONTROL Pension Fund, and give its opinion on the financial statements of the EUROCONTROL Pension Fund;
 - d. report to the Commission on any findings it, or the bodies it reports to, may deem important and significant, including the economy, efficiency and effectiveness¹ of the operations of the Agency, and the level of transparency of the Agency's decisions and procedures.

¹ Economy: Minimising the cost of resources used for an activity, having regard to the appropriate quality.

Effectiveness: The extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity.

Efficiency: The relationship between the output, in terms of goods, services or other results, and the resources used to produce them.

The Audit Board may also:

- e. undertake such audits, surveys and investigations as requested by the Provisional Council;
- f. where appropriate, recommend action by the Commission.

Secretariat and logistical support

- 16. The Agency shall provide the logistical support and the services required for the proper functioning of the Audit Board, including a qualified Secretary and appropriate secretariat services.
- 17. The Secretary to the Audit Board shall exercise his/her functions and duties independently from other functions and shall operate with the appropriate level of independence from the Agency. In his/her duties for the Audit Board he/she shall report solely to the Chairperson and members of the Audit Board. The Secretary and secretariat services shall perform their tasks in the strictest confidentiality in accordance with the Rules of Procedure of the Audit Board and subject to the instructions of the Chairperson.

Audit support

- 18. For the purpose of the audits described in Paragraphs 15 a), b) and c) above and further to Article 22bis paragraph 4 a) of the Statute of the Agency, the Audit Board shall be assisted by external audit experts. The selection process for the appointment of these experts shall be carried out in accordance with the Contract regulations of the Agency. The Agency shall ensure that the Call for tender is advertised as widely as possible to all potentially interested European accounting / auditing firms as well as to the Supreme Audit Institutions of the Member States of EUROCONTROL. Any Supreme Audit Institution / organisation whose staff sit as members or deputies on the Audit Board at the time of tendering shall be excluded from bidding.
- 19. Upon proposal from the Audit Board, the external audit experts shall be appointed by the Commission in accordance with the voting procedure provided for in Article 7.4 of the amended Convention.
- 20. For the purpose of the audits foreseen in Paragraphs 15 d) and e), in line with Paragraph 5 above and in compliance with Article 22bis paragraph 4 b) of the Statute of the Agency, the Audit Board may use its budget to recruit external experts for precisely defined missions. If the Audit Board determines that longer-term support is necessary, it may also seek the assistance of one or more auditors seconded from Supreme Audit Institutions (SAI) of Member States.

Approval

- 21. Further to Article 22bis paragraph 2 of the Statute of the Agency, these Terms of Reference and any amendments thereto, shall be submitted to the Commission for approval in accordance with the majority provided for in Article 7.4 of the amended Convention.

RULES OF PROCEDURE OF THE AUDIT BOARD

Article 1 (Designation of members)

1. The procedure for the designation of the members and deputies of the Audit Board is at Annex.

Article 2 (Chairmanship)

1. The Audit Board shall select its Chairperson by consensus from among its members. If a consensus cannot be reached, the decision shall be taken by a simple majority of the votes cast.
2. The Chairperson's term of office shall be a renewable period of two years.
3. If the Chairperson resigns in the course of his / her term of office, his / her successor shall be designated according to the procedure set in paragraph 1 above for the rest of that term of office.
4. If the Chairperson is absent, the Audit Board members present shall designate one of them by consensus to chair the meeting.

Article 3 (Frequency and convening of meetings)

1. The Audit Board shall meet as and when necessary, according to its work schedule, and at least four times a year.
2. Meetings shall be convened by written notification sent by the Secretary on behalf of the Chairperson by post or electronic means subject to a one month's notice. The notification shall be accompanied, if possible, by a provisional agenda.
3. In principle, the draft Agenda shall be dispatched two weeks, and the working papers one week before the meeting at the latest. The Audit Board may refuse to examine documents dispatched after these deadlines.
4. Members and deputies shall confirm their participation or send apologies at the latest one week before the meeting.

Article 4 (Work programme)

1. The Audit Board shall work in accordance with an annual work programme which it shall draw up and send to the Commission via the Provisional Council.
2. This programme shall not be of an exhaustive nature: in accordance with its Terms of Reference, the Audit Board may "undertake such audits, surveys and investigations as requested by the Provisional Council" (article 15 (e) of the Terms of Reference). The Audit Board may also decide in the course of the year to report to the Commission findings on any issue it deems important and significant (article 15 (d) of the Terms of Reference).

Article 5 (Conduct of activities)

1. The activities of the Audit Board shall be financed by a separate budget to be approved by the Commission. The Audit Board may report to the Commission if it deems that the establishment or the funds provided are insufficient to enable it to carry out its tasks.
2. Although the Audit Board shall benefit from audit support, as described in Articles 18 and 20 of its Terms of Reference, it may not devolve responsibility for the recommendations it shall make or the reports it shall send to the Commission via the Provisional Council, or, in the case of the route charges system issues, via the enlarged Committee for Route Charges (the enlarged Committee).
3. The Audit Board may establish ad hoc sub groups to carry out precisely defined missions. When doing so, it shall establish the appropriate mechanisms to ensure that all members of the Audit Board are kept abreast of, and can validate periodically, the progress of the work carried out by these sub groups.
4. The audit reports shall give adequate background on the area audited and the objectives and scope of the audit. The findings, implications and recommendations shall be clearly given.
5. The Audit Board reports shall be submitted to the Agency for comments before being issued to the Commission. The Agency's comments shall be reflected in the final version of the report.
6. The products of the Audit Board's activities (audit reports, recommendations, questions) shall be transmitted to the Commission via the Provisional Council, or, in the case of Route Charges System issues, via the enlarged Committee.
7. The products of the Audit Board's activities shall be signed by the Chairperson. They shall reflect the opinion of the Audit Board as a whole. A member may, however, request that express mention be made of a reservation or a different point of view.
8. The Audit Board shall report as appropriate on the status of implementation of previous recommendations by the Agency.

Article 6 (Voting procedures)

1. Decisions shall be taken at Audit Board meetings, by a simple majority of votes, each member having one vote. Should an equal number of votes be cast, the Chairperson shall have a casting vote.
2. In case both the member and his/her deputy attend a meeting of the Audit Board, only the member shall vote.
3. In case of absence of a member, his/her deputy shall be entitled to vote, provided that he/she has received in writing appropriate delegation from his/her member.
4. The quorum for meetings of the Audit Board shall consist of four members or deputies entitled to vote.

Article 7 (Correspondence)

All correspondence sent to the Audit Board shall be addressed to the Chairperson at the Organisation's Headquarters, care of the Secretary.

Article 8 (Languages)

The working languages of the Audit Board shall be French and English, which are the working languages of the Agency. Fluency in one of these languages is therefore a prerequisite for the designation to the Audit Board membership.

Article 9 (Refunds)

The members and deputies of the Audit Board shall receive no salary, fee or honorarium from the Agency. However, they shall be reimbursed by the Agency for the travel expenses incurred in the exercise of their audit functions in accordance with the rules of the Agency.

Article 10 (Approval of the Rules of Procedure)

These Rules of Procedure and any subsequent amendments thereto, shall be submitted to the Commission for approval in accordance with the majority provided for in Article 7.4 of the amended Convention.

ANNEX to the Rules of Procedure of the Audit Board

PROCEDURE FOR THE DESIGNATION OF THE MEMBERS OF THE AUDIT BOARD

Article 22bis paragraph 3 of the Statute of the Agency has created a rotation system. Accordingly, the Audit Board is renewed by half of its members every two years.

In pursuance of Article 9 of the Terms of Reference, the following procedure for the designation of the members (and their deputies as appropriate) of the Audit Board shall apply:

1. *Designation of candidates – Timetable*

Members of the Audit Board shall be designated for a term of office of four years, starting on 1 July.

Target dates

In order to facilitate transmission of experience and continuity in the Audit Board's work, the members of the Audit Board shall be designated early enough to allow a reasonable overlap with the outgoing team. To this purpose, the three nominating Members States shall communicate the names of the new members to the Secretariat before the month of May preceding the beginning of their term of office. This will allow the incoming members to be invited to attend in June a handover meeting with the former Audit Board team.

Procedure

The three Members States concerned, according to the French alphabetical order of the Signatories of the revised Convention, shall be contacted by the President of the Provisional Council at the latest six months before the expected date of rotation and invited to designate new Audit Board members.

These States shall reply within a month and confirm whether they accept to take up these duties and to designate a member.

- In this case, the State concerned shall undertake all actions necessary to enable the designation of the member before 30 April.
- When a State shall be unable to accept these duties, it shall inform the President of the Provisional Council as a matter of urgency in order to allow him /her to contact the next State in line according to the French alphabetical order.

If a member of Audit Board does not complete his / her full term of office and if his/her deputy cannot replace him / her, the Member State concerned shall designate immediately a new member for the rest of this term.

2. *Selection criteria*

The members and deputies of the Audit Board shall be professional auditors, having the necessary skills and also sufficient availability to personally carry out and monitor auditing tasks.

In particular, it shall be essential that members have the following qualifications/experience:

- Significant and recent experience of external audit, preferably in a management capacity;
- Professionally qualified in accounting / audit;
- Current knowledge of International Accounting Standards and International Auditing Standards;
- Fluency in English or French (the working languages of the Agency and of the Audit Board).

Experience of working in / with international organisations is desirable rather than essential.