1. The Internal Audit Charter articulates the purpose and the standing of Internal Audit, a permanent function in the internal control system of the Council of Europe Development Bank (CEB).

2. Internal Audit aims to provide the Governor with independent, objective assurance and consulting services designed to improve the operations of the CEB.

3. Effective risk management, control and governance processes are the responsibility of the respective business units and support functions, i.e. the first two “lines of defence”. As the “third line of defence”, Internal Audit helps the Bank accomplish its objectives by providing a systematic and independent approach to evaluate whether risk management, control and governance processes are designed well and operate effectively.

4. Internal Audit analyses whether the transactions of the Bank are performed in conformity with existing policies and procedures, assesses their associated risks, and proposes recommendations for potential improvements and efficiency gains. In order to express unbiased and impartial opinions, Internal Audit does not take part in any of the Bank’s business activities, day-to-day risk management or business-related control processes.

5. To carry out its mandate, Internal Audit:
   
   a) Executes periodic assessments to provide the Governor with assurances that the Bank’s activities and processes are performed with adequate controls and in compliance with the established standards.

   b) Following consultations with the Governor, prepares a draft annual audit work programme on the basis of a risk-based, four-year audit plan. The Auditing Board shall receive this draft to provide comments and then the final version approved by the Governor, as well as any subsequent changes.

   c) Coordinates its work with the External Auditor to gain efficiencies and avoid overlaps.

6. Upon a request by the Governor, Internal Audit may also provide consulting services within the framework of its audit work or on an ad-hoc basis.

7. Internal Audit receives the necessary resources to carry out its mandate in line with the annual audit work programme.

II- INDEPENDENCE AND INSTITUTIONAL RELATIONS

8. Internal Audit is autonomous and independent of the other functions of the Bank with no operational responsibility for or authority over any of the Bank’s audited activities.

9. The Auditing Board is consulted before the appointment, transfer or dismissal of the Head of Internal Audit.
10. The Head of Internal Audit reports and is accountable directly to the Governor. The Governor and the internal auditors meet periodically to review the audit work, assess its conclusions, and discuss any audit-related matters.

11. In performing its work Internal Audit has unlimited access to the Bank’s documentation and premises. It also has the faculty to interview staff members. Internal Audit informs the Governor of any impediments to obtaining the information necessary for its work.

12. Internal auditors must act with integrity and confidentiality, apply due professional care and avoid any conflict of interest. Internally-recruited internal auditors can only be involved in auditing activities for which they had responsibility before their appointment after a “cooling-off” period of at least 12 months.

13. The Auditing Board has regular access to reports on internal audit activities and may communicate with the Head of Internal Audit on such reports, the annual audit plan or any other matter it deems appropriate.

14. The Head of Internal Audit attends the annual presentations of the balance sheet certifications by the Auditing Board and the External Auditor and, upon the Governor’s authorization, may participate in the meetings of the Administrative Council and the Governing Board.

III- INTERNAL AUDIT MISSIONS

15. As a rule, audit missions follow the annual audit plan. Additional missions can be performed at the request of the Governor, and if needed, using the services of external experts upon the Governor’s authorization.

16. Internal Audit reviews aim to systematically evaluate:
   - the effectiveness of the Bank’s operating and control procedures;
   - the reliability and resilience of all business activities, including services provided by third parties to the extent the latter may be audited;
   - the compliance with the legal obligations and resolutions of the Collegial Organs of the Bank;
   - the orderly implementation of the Bank’s risk management measures;
   - the accurate processing of accounting entries for business transactions;
   - the existence of appropriate audit trails in business processes.

17. Internal Audit recommends process improvements to increase the overall effectiveness of business activities and supports the auditee to ensure adequate implementation of agreed corrective actions. The implementation of recommendations is the responsibility of the relevant process owners.

18. Internal Audit shares its findings with the relevant process owners so as to allow the auditees to rectify any deficiencies. It then assesses whether the attendant, agreed action plans are appropriately implemented.

19. After each audit mission, Internal Audit issues a report with its findings and recommendations. The report is addressed to the Governor and to the Director of the audited entity.

20. Audit reports are discussed by the Auditing Board in the presence of the Head of Internal Audit, the auditor in charge and representatives of the CEB’s business activities concerned.

IV- ANNUAL STATUS REPORT

21. At the end of each year, Internal Audit issues a status report of the audit work performed.
This report shall include:
- an activity report summarising the work performed during the preceding year;
- assurance on the Bank’s Internal Control Framework;
- confirmation of organisational independence of Internal Audit;
- the reports of audit missions, including those performed at the request of the Governor;
- the annual and the four-year audit plans;
- pending Internal Audit tasks, including urgent follow-up to missions;
- the Corrective Action Plan for the monitoring of audit recommendations;
- the Internal Audit Charter and Internal Audit procedures;
- minutes of formal Internal Audit meetings;
- a description and evaluation of new methods, if any, applied during the course of audits.

22. The status report is transmitted to the Governor, as well as to the Auditing Board and the External Auditor in the context of the annual certification of the financial statements of the CEB.

V- STANDARDS AND QUALITY ASSURANCE

23. Internal Audit adheres to all mandatory elements of The Institute of Internal Auditor’s International Professional Practices Framework.

24. Internal Audit maintains a quality assurance and improvement programme that covers all aspects of its activity. The programme must include periodic internal assessments, recommendation for continuing education of internal auditors and an appropriate external assessment at least every five years.

25. The Internal Audit Charter is reviewed by the Governor and the Auditing Board at least every two years.

Revised in October 2021
[Original in English]