Internal Audit is a permanent function in the internal control system of the Council of Europe Development Bank (the ‘CEB’ or ‘Bank’). The Internal Audit Charter articulates the purpose, standing and authority of the Internal Audit function. In order to express unbiased and impartial opinions, Internal Audit does not take part in any of the Bank’s operational activities.

Internal Audit aims to provide the Governor with independent and objective assurance and consulting services designed to add value and improve the operations of the CEB. It helps the Bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate the quality and effectiveness of business operations, risk management processes and control systems.

Internal Audit analyses whether the transactions of the Bank are performed in conformity with existing policies and operational procedures, and assesses their associated risks. It also proposes recommendations for potential improvements and efficiency gains.

Internal Audit examines all activities of the Bank in accordance with appropriate professional best practices as outlined in the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, Basle Committee on Banking Supervision papers and references to good corporate governance.

I- INTERNAL AUDIT INDEPENDENCE GUARANTY

1. The Auditing Board, an Organ of the Bank composed of competent professionals in economic and financial matters assigned by member countries, assures the autonomy of the Internal Audit program.

   • *The Auditing Board shall receive copies of any documents useful to it in its work, such as the reports of the external and internal auditors.* [Art. XII of the Agreement of the Council of Europe Development Bank]

   • *The Auditing Board shall be consulted before appointment, replacement, transfer or dismissal of the Head of Internal Audit.* [Rules of Procedure of the Auditing Board, art. 1.5]

   • *The Auditing Board shall have regular access to reports on internal audit activities, which includes a list of internal audits completed, of audits in progress and of audit findings at least for each quarter.* [Rules of Procedure of the Auditing Board, art. 1.3]

   • *Before the spring meeting the Auditing Board shall receive the final draft of the financial statements and the report of the external and of the internal auditors at least one week before the meeting.* [Rules of Procedures of the Auditing Board, art. 4.2]

2. In the yearly Auditing Board’s report on the balance sheet and the profit and loss account and the notes to the financial statements, the Auditing Board confirms it has carried out its work by, among others, consulting Internal Audit and examining its reports. [Yearly certification of the Auditing Board]
3. It is general practice that the Head of Internal Audit participates in the meetings of the Administrative Council and the Governing Board at his own discretion, at minimum in the annual presentations of the balance sheet certifications by the Auditing Board and the External Auditor. The Head of Internal Audit is available to the members of the Collegial Organs of the Bank for information exchange. At any time he has direct access to the Chairpersons of the Collegial Organs of the Bank as needed.

4. Internal Audit coordinates its work with the External Auditor appointed by the CEB in order to ensure proper coverage and avoid duplication of effort.

II- INTERNAL AUDIT FUNCTIONS

5. To carry out its mandate, Internal Audit shall:

   a) Execute periodic assessments to provide independent and objective assurance to the Governor that the Bank’s business activities and operational processes are performed with adequate controls and in compliance with the established policies, procedures and industry standards.

   b) Determine the annual audit work program (plan) on the basis of a rolling four year audit plan which shall be presented to the Governor for consensus. The annual audit plan, as well as any subsequent changes, will be presented to the Auditing Board.

   c) Present the rolling four year audit plan annually to the Governor to jointly determine the risk levels of the auditable entities as well as potential additions and/or removal thereof. The four year audit plan will become part of the annual report provided to the Auditing Board.

6. Internal Audit may also contribute with advisory services within the framework of its audit work or on an ad-hoc basis.

7. Internal Audit shall have the necessary resources, financial and otherwise, available to carry out its mandate commensurate with the annual audit work program. To ensure the quality of its work, an external quality assessment will be conducted at least once every five years by a qualified independent team from outside the CEB.

III- INTERNAL AUDIT ORGANIZATIONAL POSITION

8. Internal Audit is an independent organizational function without operational responsibility for or authority over any of the Bank’s audited activities.

9. The Head of Internal Audit reports directly to the Governor.

10. The Governor and the internal auditors meet periodically to review the audit work performed, to assess the conclusions of the audit missions, to discuss audit related matters and to provide Internal Audit with information about business, operational and organizational plans and changes.

11. Internal Audit has unlimited access to the Bank’s documentation, physical properties and staff members relevant to performing its work. All information received is to be treated with strict confidentiality within the framework of the audit missions. In case of impediments to obtaining information necessary for its audit work, Internal Audit will inform the Governor.

12. In relation to other organizational entities of the Bank, Internal Audit operates autonomously.
IV- INTERNAL AUDIT MISSIONS

13. Audit missions generally progress according to an annual audit plan. Additional missions can be performed at the request of the Governor or upon Internal Audit’s initiative. The Governor may authorize Internal Audit to use the services of external experts to perform such ad hoc investigations or reviews.

14. The scope of Internal Audit reviews aims to systematically evaluate:
   - the contributions of all organizational entities to achieving the Bank’s objectives;
   - the functionality of the Bank’s operating and control procedures;
   - the reliability and safety of all business activities, including services provided by third parties, subject to the right to audit;
   - the observance of legal obligations and resolutions of the Collegial Organs of the Bank;
   - the orderly application of the Bank’s risk management measures;
   - the accurate processing of accounting entries for the business transactions;
   - the existence of appropriate audit trails in the business processes.

15. Internal Audit recommends process improvements to increase the overall effectiveness of business activities and lends support to the auditee to assure proper reflection and implementation of agreed corrective actions. The realization of recommendations in practice is the responsibility of the respective process owner.

16. Internal Audit reports findings to the attention of the process owners to allow the auditee to rectify deficiencies and ascertains that the agreed upon action plans are adhered to.

17. Internal Audit states its findings and recommendations in writing and issues a report after each audit mission. The report is addressed to the Governor and to the Director of the audited entity. The Vice-Governors receive the report and may request additional information from the Governor.

18. 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.

19. Internal Audit documents its own work procedures as described in this Charter. These procedures lay out the responsibilities and tasks of the internal auditors and the working methodology.

20. Internal auditors are expected to comply with the Rules and Regulations of the CEB. They are required to act with integrity, apply due professional care and avoid any conflicts of interest. Internally recruited internal auditors will not be engaged in auditing activities for which they have had previous responsibility before a sufficiently long ‘cooling off’ period has elapsed, but no less than 12 months.

V- 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:
   - the audit reports of carried-out missions (outlining the business activity audited, audit scope, audit conclusion, audit recommendations and optional management reply);
   - the respective annual audit plan and the four year audit plan;
   - ad hoc missions initiated by Internal Audit;
   - unrealized or unauthorized Internal Audit tasks;
- the Corrective Action Plan for the monitoring of audit recommendations;
- the risk level methodology for audit recommendations;
- the Internal Audit Charter;
- the CEB Audit Meeting minutes;
- the Internal Audit procedures;
- a description and evaluation of new procedures, if any, applied during the course of audits.

22. In its yearly status reporting, Internal Audit also indicates the pending missions for which a follow-up is deemed necessary during the next audit plan period.

23. The status report is presented to the Governor, as well as to the Auditing Board and the External Auditors during their annual certifications of the financial statements of the CEB.

Revised in January 2020
[Original in English]