

INTERNAL AUDITORS' CHARTER

(BUDGET USER NAME)

I. INTRODUCTION

The Internal Auditors' Charter shall set forth duties of internal auditors in relation to the audited unit, i.e. the purpose and objective, independence, authorities and the role of internal audit, responsibilities of internal audit unit heads, reporting obligations and procedures in case of identified irregularities and fraud.

It shall be approved by budget user head.

The Charter shall define the role and importance of the budget user's internal audit unit, provide authorisation for access to documentation, staff and tangible assets for the purpose of carrying out audits.

Internal audits shall be carried out in accordance with internationally recognised internal auditing standards and best practice as applied in the European Union member-states.

2. PURPOSE AND OBJECTIVE

The purpose of internal audit shall be to give independent and objective assurance and recommendations to the head and other management of a budget user concerning management of risks and internal controls by assessing effectiveness of the achievement of objectives as set forth in laws and other regulations, policies and set procedures. The aim shall be to improve and enhance the overall operations, for which reason the Charter shall determine the framework within which internal auditors shall carry out their tasks in order to add value to and make budget user's operations more successful.

3. INDEPENDENCE

Internal auditors shall be independent in their work and shall report directly solely to the head of a budget user. They shall have no direct responsibilities for the activity being audited. Internal auditors shall not develop and introduce procedures, shall not prepare data or be involved in the activities they audit.

The involvement of internal auditors in developing or implementing policies, systems and procedures of a budget user shall be in an advisory capacity only, in adherence with any past and/or present recommendations made by the Internal Audit Unit.

Given the independence in their work, internal auditors may not be dismissed or transferred to another position for making certain recommendations. Before transferring or dismissing an internal auditor, the budget user head shall seek opinion from the Central Harmonisation Unit.

4. AUTHORITIES

The internal audit unit shall derive its authority from legal and other regulations providing for the performance of internal audit.

Internal auditors shall be authorised to conduct regularity audits, systems audits, financial report production process audits, IT-audits, management audits as well as audits of economy, efficiency and effectiveness of budget user's operations.

In performing internal audits, an internal auditor shall have a full, free and unlimited right of access to the overall documentation, data and information on all data carriers, staff and tangible assets which are the audit subject matter.

Internal auditors shall be obliged to keep the secrecy of data and information put at their disposal during the performance of an internal audit.

The head of a budget user and auditee's responsible persons shall co-operate with the internal audit unit head and his/her staff in providing information and/or explanations for the purpose of an effective and efficient performance of audits.

Internal auditors shall solely be in charge of the performance of auditing tasks and shall not be allowed to transfer them to other persons or organisational units. They shall be allowed to engage experts with specialised knowledge to assist in the performance of internal audits in specific areas.

5. ROLE OF INTERNAL AUDIT

The role of the internal audit shall be to:

- e) determine the level of compliance with laws and implementing regulations and organisation's enactments;
- b) assess the reliability of financial transactions and financial reporting;
- c) assess financial and operational procedures and give assurance and recommendations on implementation and improvement of control environment;
- g) determine the efficiency and effectiveness of an organisation in achieving the objectives from its scope of work and identification of operational possibilities with an aim of reducing expenses and increasing revenues;
- d) check whether the assets are being used economically and efficiently, recorded properly and to determine whether measures against potential losses have been taken;
- f) assess the adequacy, efficiency and effectiveness of budget user's IT system;
- a) identify potential risks in the activities of a budget user and to assess the adequacy and effectiveness of the system of internal controls for the purpose of controlling risks;

h) report on the perceived irregularities and frauds.

6. RESPONSIBILITIES OF THE INTERNAL AUDIT UNIT HEAD

The internal audit unit shall be directed and managed by its head.

The head of a budget user's internal audit unit shall be appointed by the budget user head to whom he/she shall report.

The head of an internal audit unit shall be responsible for:

- directing and managing the internal audit unit and internal auditors;
- if he is certified, carrying out internal audits in keeping with internationally recognised internal auditing standards and the Internal Auditors' Charter in carrying out every single audit;
- ensuring conditions for an efficient performance of all audits in keeping with the internal audit plan;
- using the methods and guidelines issued by the Central Harmonisation Unit;
- training and enhancing the work of internal auditors;
- preparing strategic and annual plans of the internal audit unit in cooperation with management staff and on the basis of risk assessment;
- implementing and monitoring the execution of the annual plan;
- preparing annual and periodical reports on the work and the performed internal audits and on request by the head;
- meeting duties towards the Central Harmonisation Unit;
- relations with state audit and other stakeholder entities;
- endorse and send final reports.

7. REPORTING OBLIGATIONS

Internal audits shall be carried out on the basis of strategic and annual internal audit plans, accepted by the head and in some instances upon head's request. Upon the completion of an audit, the internal auditor shall produce a draft report and submit it to an authorised representative of the audited unit. The draft report shall be discussed with the audited unit representatives and the factual accuracy thereof shall be agreed upon.

The audited unit authorised representative shall respond to the draft audit report in writing within the deadline indicated in the draft audit report, which period may not be longer than 30 days following the date of draft report receipt.

The response shall have to comprise a recommendation implementation action plan which shall indicate actions to be taken by the audited unit representative in relation to internal audit's findings and recommendations or certain disagreements with findings and recommendations. The response shall be incorporated into the final report and shall constitute its integral part. Should reaching an agreement concerning some of the items contained in the draft audit report fail, this shall be duly noted in the final audit report.

The report shall contain an executive summary intended for the head of the budget user.

The final report shall be submitted to the budget user head and addressed to management of the audited unit. It shall be signed by audit team leader, whereas a letter accompanying the report shall be signed by the internal audit unit head.

The authorised representative of the audited unit shall be responsible for implementation of recommendations in keeping with the defined deadlines.

Internal audit shall be responsible for providing economical, efficient and effective recommendations as well as for their follow-up, i.e. whether the recommended activities aimed at improving internal control systems have been taken. Failing to implement the recommended activities, the head shall be accordingly informed.

Internal audit shall be obliged to produce a report on its work and the performed audits, on which it shall inform the head and the Central Harmonisation Unit within the prescribed deadlines.

The content of the annual performance report shall be prescribed by the Budget Users' Internal Audit Rulebook provisions and Central Harmonisation Unit's guidelines.

8. IRREGULARITIES AND FRAUD

In case of identifying an irregularity or a fraud, internal auditors shall report to the budget user head or the Irregularities Officer.

Budget user's Management shall be responsible for the prevention of irregularities and frauds, as well as for detecting and dealing with them. Internal auditors shall be responsible for having the risk of fraud included in the internal audit plans and methodology.

Internal Audit Unit Head signature:

Head's signature:

(place, date and number of document)