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Continuation of the Service Level Agreement between the Board of Governors and the Internal Audit Service of the Commission

Budgetary Committee

Brussels, 15 & 16 March 2011

1. Issue

The reform of the Financial Regulation of 2007 introduced the requirement for a new internal auditing function in the European Schools.

To meet that requirement, the Board of Governors appointed the Internal Audit Service of the Commission as internal auditors of the European Schools for an initial period of three years up to the end of June 2010; a period subsequently extended for a further year up to the end of June 2011.

It is proposed to continue this appointment for a further period of three years; a period that could again be extended.

2. Background

At its meeting of April 2007, the Board of Governors decided that, for the period leading up to the next review of the Financial Regulation, the internal audit function specified by article 21 of the Financial Regulation should be established by means of the use of Commission resources, as proposed in document 711-D-2006-en-2.

In July 2007, by written procedure (2007-D-176-en-2), the Board approved a Service Level Agreement with the Internal Audit Service of the Commission (IAS).

Under the terms of this Agreement, the Board of Governors appointed the IAS to carry out the function of internal audit in the European Schools for a period of three years up to 30 June 2010, with the possibility of further renewal.

In January 2008, the Board of Governors approved the IAS Strategic Audit Plan for 2008 – 2010 (2511-D-2007-en-2) which set out the principles and methodology of the IAS approach, together with a work plan for the three year period.

In April 2010, the Board of Governors agreed to continue the appointment of the IAS for a further period of one year, with the possibility of further extension at the end of that period (2010-D-102-en-2). The reason why the further extension was limited to one year was to preserve the position while waiting for the outcome of the review of the Financial Regulation.

The review of the Financial Regulation has not yet been completed. However, the report of the working group set up to carry out the review was examined by the Budgetary Committee in October 2010. That report did not make any proposals to change the current arrangements for internal audit and no such suggestion was made by the Budgetary Committee. It is therefore proposed that the appointment of the IAS should be continued for a further period of three years. That will allow the IAS to plan its work and resources on a reasonably long-term basis.

No amendment would be necessary to the Service Level Agreement in order for the present arrangement to continue for a further three years. The initial period will automatically be extended on an annual basis if neither the Board of Governors nor the IAS notifies their intention to terminate the arrangement. It is understood that the IAS are willing to continue with their present mandate.

3. Financial Implications

Under the terms of the Service Level Agreement, the budget of the Office of the Secretary-General finances the cost of one contractual agent employed by the IAS, plus the cost of mission expenses.

The payments so far made by the Office to the IAS were: € 26 480 for 2007, € 60 216 for 2008, € 62 460 for 2009 and € 63 576 for 2010. If the Service Level Agreement is continued, the cost would continue at this level.

4. Proposal

It is proposed that, in order to meet the requirements of article 21 of the Financial Regulation, the Budgetary Committee should recommend that the Board of Governors should continue the appointment of the Internal Audit Service of the Commission for a further period of three years with effect from 1 July 2011, with the possibility of further extension at the end of that period.