EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB AUDIT CHARTER

(effective as of 31 July 2007)

In the Audit Charter, the Executive Board of the European Central Bank defines the purpose, authority and responsibility of the ECB's Directorate Internal Audit (D-IA) and specifies D-IA's contribution to the corporate governance of the ECB.

The Directorate Internal Audit provides independent and objective assurance and consulting services designed to improve the ECB's operations. It helps the ECB to accomplish its objectives by bringing a systematic approach to evaluating and improving the effectiveness of risk management, control and governance processes. All activities, operations and processes of the ECB may be subject to internal auditing.

Furthermore, D-IA reviews the Eurosystem's tasks and activities (joint components) in accordance with the ESCB Audit Policy. D-IA also implements the Eurosystem/ESCB audit plan by coordinating internal auditing activities for the Eurosystem/ESCB-wide common infrastructure and operations, including contributions to the development and harmonisation of audit methods and standards.

1. Independence and objectivity

To ensure its independence, D-IA functions under the direct responsibility of the Executive Board and reports to the President of the ECB. Neither D-IA nor individual internal auditors have authority over or direct responsibility for the activities audited, and internal auditors are to avoid conflicts of interest in performing their tasks. Impairments to the independence or objectivity of D-IA or of any individual auditor are to be reported to the appropriate level within the ECB.

2. Application of IIA Standards and Code of Ethics

D-IA abides by the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, including the IIA's Code of Ethics.

3. Proficiency and due professional care

D-IA performs its tasks with proficiency and due professional care. D-IA ensures that it collectively possesses and maintains the skills and knowledge necessary for performing its responsibilities effectively.

4. Responsibilities

D-IA performs audit engagements as specified in the ECB audit plan as approved by the Executive Board.

The plan may be subject to modification. D-IA may intervene at the instruction of the Executive Board or on its own initiative. Moreover, the ECB's President, the Vice-President or the Executive Board may entrust D-IA with ad hoc engagements.

D-IA:

a) prepares the ECB audit plan using a risk-based methodology for approval by the Executive Board; the approved plan is communicated to ECB senior management;

b) implements the ECB audit plan by planning and performing audit engagements, investigations and consultancy assignments;

c) communicates the results of the audit engagements, investigations and consultancy activities to the Executive Board and the ECB business areas concerned; annually reports to the Executive Board on the realisation of the annual ECB audit plan and other relevant activities;

d) monitors and assesses the implementation status of audit recommendations and reports on this to the Executive Board;

e) coordinates the interaction of the ECB with the European Court of Auditors, the external auditors, other auditing bodies and the audit community; and

f) advises on sound governance and the prevention of fraud, corruption and other illegal activities.

The Director Internal Audit, within the framework of this Charter, defines the operational principles for the performance of D-IA in an Internal Audit Manual.

5. Access to information

In performing its responsibilities, D-IA has access to all people, records, information, systems and property deemed necessary. All requested information is to be provided in a truthful and complete manner within a reasonable period of time. In this respect, D-IA may also require

ongoing (read-only) access to information systems and data. D-IA immediately informs the Executive Board of any attempt to hinder it in the performance of its duties.

6. Incident reporting

ECB business areas inform D-IA without delay of any major or significant incident observed. In this respect, D-IA may also require permanent (read-only) access to incident and change databases.

7. Relationship with the ECB Audit Committee

To provide assistance to the Governing Council, the Audit Committee receives the audit reports of D-IA and of the Internal Auditors Committee (IAC). The Audit Committee receives systematically the executive summaries of the reports and the full reports are available upon request. Furthermore, the Audit Committee reviews the Eurosystem/ESCB audit plan before its approval by the Governing Council. Moreover, the Audit Committee reports to the Governing Council and gives an opinion on the performance of the ECB's internal audit function and on the activities of the IAC in compliance with the Eurosystem's audit policy.

8. Quality assurance

To ensure and improve the quality of its services, D-IA maintains a quality assurance and improvement programme consisting of ongoing and periodic reviews as well as periodic internal and external quality assessments.