

The Audit Committee mandate

A high-level Audit Committee – established by the Governing Council pursuant to Article 9b of the Rules of Procedure of the ECB – strengthens the internal/external layers of control already in place and further enhances the corporate governance of the ECB and the SSM, covering both central banking and banking supervisory functions, and the Eurosystem.

1. Objective and scope of the Audit Committee

The Audit Committee shall assist the Governing Council in its responsibilities for the performance of the ECB's/Eurosystem's tasks and activities under the Statute of the ESCB and under the SSM Regulation¹ by providing advice and/or opinions on:

- a) the integrity of financial information,
- b) the oversight of internal controls,
- c) the compliance with applicable laws, regulations and codes of conduct,
- d) the performance of audit functions.

2. Responsibilities

2.1 Integrity of financial information

The Audit Committee shall assess the overall adequacy and effectiveness of the processes underlying the establishment of the ECB's financial statements and the overall adequacy of the associated disclosures. For this purpose, the Audit Committee shall:

- a) review the annual financial statements prior to their approval by the Governing Council;
- b) discuss with the external and internal auditors and the ECB's management the associated audit reports (including the management letter) as well as any difficulties encountered during the audit work and/or any significant disagreements with management;
- c) obtain a statement from the external auditor confirming that the financial statements have been drawn up in accordance with approved accounting rules and properly audited;
- d) advise the Governing Council on the approval of the financial statements.

Moreover, the Audit Committee shall review any significant Eurosystem accounting/financial reporting issues that could have an impact on the ECB's financial statements.

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 in OJ L 287, 29.10.2013, p. 63.

2.2 Oversight of internal controls

The Audit Committee shall assess the overall effectiveness and adequacy of the internal control and risk management frameworks and provide the Governing Council with its opinion thereon. For this purpose, the Audit Committee shall:

- a) evaluate the operational and financial risk management frameworks and related processes;
- b) discuss with the internal and external auditors and risk managers the relevant reports and in particular the major operational, financial and reputational risk exposures;
- c) consider the adequacy and timeliness of the measures taken to monitor and control such exposures and, more generally, ensure that recommendations and concerns receive proper attention;
- d) evaluate the whistleblowing framework and related processes;
- e) formulate recommendations, as appropriate, thereby supporting an environment fostering integrity and control.

2.3 Compliance with applicable laws, regulations and codes of conduct

The Audit Committee shall assess the overall adequacy of the compliance frameworks and the effectiveness of the processes for monitoring compliance and provide the Governing Council with its opinion thereon. For this purpose, the Audit Committee shall:

- a) review the compliance framework and the related monitoring processes;
- b) discuss with the internal and external auditors, the General Counsel, the Chief Compliance and Governance Officer and, as the case may be, with the Chair of the Ethics Committee and the chairpersons of Eurosystem/ECB committees the relevant reports and in particular compliance matters that may have a significant financial and/or reputational impact;
- c) be informed of major incidents and/or instances of non-compliance and consider the adequacy and timeliness of the measures taken as a result thereof;
- d) formulate recommendations, as appropriate, thereby supporting an environment fostering integrity and good governance.

2.4 Audit functions

The Audit Committee shall assess the overall effectiveness and adequacy of the audit functions. For this purpose, the Audit Committee shall:

- a) review the work programme of the Internal Auditors Committee before its approval by the Governing Council and provide the Governing Council with its opinion thereon;
- b) review the work programme of the ECB's Directorate Internal Audit and, as the case may be, provide its opinion thereon;

- c) assess the performance of the ECB's Directorate Internal Audit and of the Internal Auditors Committee as well as the performance of the ECB's external auditor to ensure that the audit functions operate in accordance with applicable and appropriate professional standards;
- d) bring to the attention of the Governing Council any issues that might impair the effective working of the audit functions, including their independence, their confidential and direct access to their respective decision-making body as well as to staff and to information, and their adequate resourcing;
- e) advise the Governing Council on recommendations regarding the appointment of the Eurosystem's external auditors.

2.5 Other responsibilities

In addition to the responsibilities outlined above, the Audit Committee may:

- a) perform other activities related to this mandate, if so requested by the Governing Council;
- b) recommend to the Executive Board to task the Directorate Internal Audit and/or any other relevant function with specific matters falling within the scope of the Audit Committee's responsibilities.

3. Access to staff/information and external advice

The Audit Committee shall have unrestricted access to members of management and staff and to any documents and information it deems necessary to adequately fulfil its responsibilities as enumerated in this mandate.

In particular, the Audit Committee may hold private sessions, without the presence of the member of the Executive Board of the ECB, with the head of the internal audit function and with the ECB's external auditor – either on its own initiative or at the request of the head of the internal audit function or the ECB's external auditor. Moreover, the Audit Committee shall meet on a regular basis with the heads of the operational and financial risk management functions and, as the case may be, with the General Counsel and the Chief Compliance and Governance Officer or any other member of management it deems necessary to meet to adequately fulfil its responsibilities.

The Audit Committee shall systematically receive the executive summaries of the audit reports; the complete reports shall be made available upon request.

Furthermore, the Audit Committee shall receive, at the same time as they are transmitted to the Governing Council, (i) the annual audit opinion on the ECB's financial statements; (ii) the management letter of the ECB's external auditor, together with the Executive Board's response; (iii) the preliminary

observation report of the European Court of Auditors (ECA)², together with the Executive Board's response; and (iv) an advance copy of the ECA public report before its publication.

Moreover, the Audit Committee shall receive reports addressing important control-related issues of a financial and/or operational risk nature as well as general reports on matters of compliance with applicable laws, regulations and codes of conduct and/or specific reports on major instances of non-compliance.

4. Reporting

The Audit Committee shall report annually to the Governing Council on the work it has undertaken over the preceding year. In so doing, the Audit Committee shall provide the Governing Council with its assessment of the effectiveness of the overall control frameworks and formulate, as appropriate, its recommendations. In addition, the Audit Committee shall report to the Governing Council whenever it deems it appropriate and/or is required to discharge its responsibilities.

5. Composition of the Audit Committee

The Audit Committee shall be composed of up to six members: the Vice-President of the ECB, two senior governors of euro area national central banks (at least one of whom shall be from a euro area national central bank with supervisory responsibility) and up to three external members, chosen from among high-ranking officials with experience in central banking, banking supervision and/or financial matters, as well as from among recognised experts from academia.

With the exception of the ECB's Vice-President, who shall be a member of the Audit Committee ex officio, the other members shall be appointed by the Governing Council for a period of three years renewable once. The Audit Committee shall elect a Chairperson from among its members (with the ECB's Vice-President not being eligible).

The external members of the Audit Committee shall be entitled to receive an annual retention fee and a per diem remuneration for each day on which the Committee meets. The remuneration shall be fixed by the Governing Council.

6. Confidentiality and Code of Conduct

The members of the Audit Committee shall not divulge to non-authorised persons any information of a confidential nature coming to their knowledge during the performance of their duties.

In general, when carrying out their duties, the Audit Committee members shall comply with the principles laid down in the ECB ethics framework, which makes clear the members' responsibility to safeguard the integrity and reputation of the Eurosystem.

² Article 27.2 of the Statute of the ESCB.

7. Independence of the members of the Audit Committee

When carrying out their responsibilities under this mandate, the members of the Audit Committee act independently. Any member shall abstain from participation in deliberations in cases of perceived or potential conflict of interest.

8. Limitations of the Audit Committee's role

The Audit Committee has the advisory and oversight responsibilities set out in this mandate. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews to assure that the Bank's financial statements and disclosures are complete and accurate. These are the responsibilities of management and the external auditor.

Moreover, the Audit Committee does not participate in activities pertaining to the formulation of monetary policy or the supervision of credit institutions.

9. Meetings

The Audit Committee shall meet at least four times a year. Additional meetings can be convened by the Chairperson if the circumstances require it. All Committee members are expected to attend each meeting in person. As a rule, the head of the internal audit function will be invited to attend the meetings.

10. Review of this mandate and self-assessment

The Audit Committee shall review its mandate at least once every three years and report thereon to the Governing Council. In this context, the Audit Committee shall conduct a self-assessment of its performance.

11. Publication of this mandate

The mandate of the Audit Committee shall be published on the ECB's website.