

CERN Audit Committee

Terms of Reference

The Terms of Reference of the CERN Audit Committee, as approved by the Council at its June 2021 Session (CERN/3561/Rev.), entered into force on 1 July 2021. They cancel and replace the previous Terms of Reference, adopted on 16 March 2017 (CERN/3296/RA).

I - General Remit and Authority

1. The CERN Audit Committee (hereinafter referred to as “the Committee”), a subordinate body established by the Council in accordance with Article V, paragraph 12, of the CERN Convention, provides oversight of the Organization’s¹ governance, risk management and internal control arrangements. The Committee assists the Council by providing independent, objective advice and guidance on the adequacy and effectiveness of the Organization’s arrangements in the following areas:
 - a) Governance structure;
 - b) Risk management;
 - c) Values and ethics;
 - d) Internal control framework;
 - e) Oversight of internal and external audit.
2. The advice and guidance provided by the Committee may include opinions, suggestions and recommendations relating to these arrangements.
3. In the discharge of its responsibilities, the Committee has access to CERN employees and to information, including records, data and reports.
4. The Director-General of CERN and the Chief Executive Officer of the Pension Fund provide the Committee with all information at their disposal and provide all the support the Committee may require to fulfil its remit.

¹ “Organization” hereinafter refers to CERN and its Pension Fund.

II - Detailed Responsibilities

5. The responsibilities of the Committee are the following:

a) Governance structure

6. To obtain reasonable assurance with respect to the Organization's governance arrangements, the Committee reviews and provides advice on the governance arrangements established and maintained within the Organization and the procedures in place to ensure that they are operating as intended.

b) Risk management

7. To obtain reasonable assurance with respect to the Organization's risk management arrangements, the Committee:

- receives reports on risk management;
- provides oversight on significant risk exposure and control issues, including fraud, governance and other matters needed or requested by the Council;
- reviews and provides advice on the risk management arrangements established and maintained by the CERN Management and the Pension Fund Management and the procedures in place to ensure that they are operating as intended;
- annually reviews the Organization's risk profile.

c) Values and ethics

8. To obtain reasonable assurance with respect to the Organization's values and ethics practices, the Committee:

- reviews and assesses the policies, procedures and practices established by the competent bodies of the Organization to monitor compliance with its codes of conduct and ethical policies by all managers and other contributors of the Organization;
- reviews and assesses the mechanisms established by the CERN Management and the Pension Fund Management to ensure and maintain high ethical standards for all managers and other contributors of the Organization.

d) Internal control framework

9. To obtain reasonable assurance with respect to the Organization's internal control framework, the Committee:

- reviews and provides advice on the Organization's internal control framework and the application thereof;
- receives reports on all matters of significance arising from work performed by others who provide financial and internal control assurance to the CERN Management, the Pension Fund Management and the Council.

e) Oversight of internal and external audit

i) Internal audit

10. To obtain reasonable assurance with respect to the internal audit activities at CERN and its Pension Fund, the Committee:
 - reviews and approves the internal audit charter of the internal audit service at least annually to ensure that it is consistent with changes in the financial, risk management and governance arrangements of the Organization and reflects developments in professional internal audit practices;
 - reviews proposed risk-based internal annual audit work plans and makes recommendations concerning internal audit projects;
 - advises the Director-General and all relevant parties regarding the qualifications, recruitment, retention and release of the Head of the CERN Internal Audit service;
 - provides an opinion on the performance of the internal audit service to the CERN Management and the Pension Fund Management;
 - comments on the resources available to the internal audit service;
 - receives internal audit reports and other assurance reports provided to the CERN Management and the Pension Fund Management;
 - is informed of any special investigations and other non-audit activities performed by the internal audit service and of the human resources used;
 - reviews and tracks the action plans of the CERN Management and the Pension Fund Management to address internal audit recommendations;
 - receives an annual report on the internal audit activities;
 - reviews and provides input on internal audit service’s strategic plans, programme goals, performance measures and outcomes;
 - checks that the internal audit service is subject to an internal quality assurance review every second year and an external quality assurance review at least every five years;
 - reviews the results of the independent external quality assurance review and monitors the implementation of the action plans to address recommendations made;
 - advises the Council of any recommendations concerning the continuous improvement of the internal audit activities.

ii) External audit

11. The Committee advises the Council on the appointment and renewal of the Organization’s External Auditors.
12. The Committee is responsible for monitoring the work of the External Auditors and overseeing that they conduct their audits in an agreed manner.

13. To obtain an adequate view of the results of the External Auditors' work and the manner in which their audits have been conducted, the Committee meets with the External Auditors at least during the planning phase of their audits and also prior to the presentation of the audited financial statements of CERN and the Pension Fund and of the External Auditors' recommendations to the Council.

f) Follow-up of Management action plans

14. To obtain reasonable assurance that the CERN Management and the Pension Fund Management have acted on the observations and recommendations from internal and external audits, the Committee reviews regular reports on the progress of implementation of approved Management action plans and audit recommendations resulting from audit activities.

g) Other responsibilities

15. In addition, the Committee:
- performs any other activities within its remit, as requested by the Council or the Finance Committee;
 - institutes and oversees the conduct of any special investigations requested by the Council or the Finance Committee;
 - regularly evaluates the performance of the Committee.

III - Composition

a) Membership

16. The Committee is composed of a minimum of four and a maximum of six members comprising:
- a) at least two members appointed by the Council from among Council delegates and Finance Committee members, of whom at least one must be a Council delegate,
 - b) at least two experts appointed by the Council.

b) Chair and Vice-Chair

17. The Chair of the Committee is appointed by the Council, following a recommendation of the Committee, normally from among the members referred to in paragraph 16 a) above.
18. The Vice-Chair of the Committee is appointed by the Council, following a recommendation of the Committee, from among any of its members.
19. If the Chair of the Committee is unable to attend all or part of a meeting, or has a conflict of interest on a particular agenda item, the Vice-Chair acts in his or her stead.

c) Experts

20. Following a call for applications, the experts referred to in paragraph 16 b) above are appointed by the Council upon proposals by the Committee made in consultation with the President of Council.

d) Terms of office of the members

21. The term of office of the members of the Committee is three years. An extension for a maximum additional period of two years may be approved by the Council.
22. The term of office of the members referred to in paragraph 16 a) above ceases once they are no longer Council Delegates or members of the Finance Committee.

e) Qualifications

23. The members of the Committee should collectively have the skills, knowledge and experience needed to fulfil the Committee's remit (e.g. previous responsibilities in the management of research laboratories or international organisations, audit functions, financial expertise, etc.).
24. The Committee's proposals with respect to the appointment of the experts referred to in paragraph 16 b) above take into account the range of expertise to be covered by the Committee.

f) Requirements

25. The members of the Committee accept standard terms of appointment. In particular, the members of the Committee commit to acting in the best interests of the Organization.
26. As CERN contributors, the members of the Committee are subject to the CERN Code of Conduct and must act, *inter alia*, with integrity and professionalism.
27. The members of the Committee are responsible for disclosing any situation that might give rise to, or actually constitutes, a conflict of interest, as follows:
 - for the Chair: to the President of Council;
 - for the Vice-Chair and the other members of the Committee: to the Chair.
28. The Organization strives to provide the members of the Committee with orientation and training on the purpose and remit of the Committee and on the Organization's mission, activities and legal framework.

IV - Meetings and Attendance

a) Conduct of meetings

29. The Committee meets at least four times a year.

The Committee may convene additional meetings at the request of the Chair or the majority of its members.

In principle, meetings are held at CERN. In exceptional circumstances, the Chair may authorise one or more members to participate in a meeting remotely.

30. The Committee establishes an annual work plan for the coming year to ensure that its work is scheduled and will be carried out.

31. For the Committee to meet, the quorum is a majority of its members.

32. The Chair prepares the meeting agendas in consultation with the other Committee members and with the assistance of the Head of the CERN Internal Audit Service.

33. At any time during a meeting, a Committee member may request that specific items of the agenda be discussed in a closed operating mode, with restricted attendance.

34. The Committee may hold private sessions with the Director-General, CERN employees or external assurance providers, as appropriate.

35. The Committee strives to reach decisions by consensus. Where consensus cannot be reached, decisions are taken by a majority of its members taking part in the meeting. Should the votes be equally divided, the Chair has the casting vote.

36. A member who cannot participate in a Committee meeting may inform the Chair of his/her position with regard to any decision to be taken and request the Chair to inform the other members of his/her position, which does not, however, constitute a vote.

37. Minutes are prepared in accordance with the established procedures for the minutes of the Council and its subordinate bodies.

38. The Head of the CERN Internal Audit service (or another appropriate designee) facilitates and coordinates meetings, and provides ancillary support to the Committee.

39. The costs incurred by the members of the Committee for their participation in its meetings are borne by CERN in accordance with the rates and conditions laid down in CERN's Staff Rules and Regulations.

40. All documents and information submitted to or produced by the Committee remain confidential unless otherwise determined. Members of the Committee acknowledge their individual obligation to maintain confidentiality, in writing at the time of their appointment.

b) Attendance

41. In addition to the members of the Committee, the following Council office-holders may attend the meetings:
 - a) the President of Council;
 - b) the Chair of the Finance Committee, in the event that the Chair is not one of the Council-appointed members referred to in paragraph 16 a) above.

42. The following persons attend, at the invitation of the Chair, all or part of the meetings:
 - a) the CERN Legal Counsel;
 - b) the Head of the CERN Internal Audit service;
 - c) any other person whose attendance is deemed necessary.

V- Reporting

43. The Committee makes an annual report to the Council summarising its activities and gives regular updates as appropriate.