

CERN Audit Committee

Terms of Reference

The Terms of Reference of the CERN Audit Committee, as approved by the Council at its 212th Session (CERN/3561/Rev.3) on the recommendation of the Finance Committee and the Audit Committee, entered into force on 1 July 2023. They cancel and replace the previous Terms of Reference, adopted on 17 June 2021 (CERN/3561/Rev.).

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 personnel and to all relevant information, including records, data and reports.

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

4. The Director-General of CERN and the Chief Executive Officer of the Pension Fund provide the Committee with all the support and all the information at their disposal that the Committee may require to fulfil its remit.
5. The Head of the CERN Internal Audit service (or another appropriate designee) facilitates and coordinates meetings, and provides ancillary support to the Committee.

II. Detailed Responsibilities

6. The responsibilities of the Committee are the following:

a) Governance structure

7. 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

8. 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

9. 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

10. 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

11. 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

12. The Committee advises the Council on the appointment and renewal of the Organization’s External Auditors.
13. The Committee is responsible for monitoring the work of the External Auditors and overseeing that they conduct their audits in an agreed manner.
14. 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

15. 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) Decision-making responsibilities

16. The Committee has decision-making responsibilities in respect of its own functioning.

h) Other responsibilities

17. In addition, the Committee:
 - establishes an annual work plan for the coming year to ensure that its work is scheduled and will be carried out;
 - performs any other activities that the Council or the Finance Committee may request it to perform;
 - 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

18. 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

19. The Chair of the Committee is appointed by the Council, following a recommendation of the Committee, from among the members referred to in article 18 a) above.
20. The Vice-Chair of the Committee is appointed by the Council, following a recommendation of the Committee, from among any of its members.
21. 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 the Chair's stead. In the event that both the Chair and the Vice-Chair are unable to attend all or part of a meeting, or have a conflict of interest on a particular agenda item, the member who has served longest on the Committee acts as Chair.

c) Experts

22. Following a call for applications, the experts referred to in article 18 b) above are appointed by the Council upon proposals by the Committee made in consultation with the President of Council.

d) Term of office

23. 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.
24. The term of office of the members referred to in article 18 a) above ceases once they are no longer Council Delegates or members of the Finance Committee.
25. The Chair and Vice-Chair are appointed for a period not exceeding their remaining respective term of office as member of the Committee.

e) Qualifications

26. 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.).
27. The Committee's proposals with respect to the appointment of the experts referred to in article 18 b) above take into account the range of expertise to be covered by the Committee.

f) Requirements

28. 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.
29. 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.
30. 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.

Except in respect of conflict of interest arising under article 21 above, for which specific procedures are provided, conflict of interest should be discussed and managed in accordance with the Organization's [Integrity at CERN](#) policy and the detailed [Guidelines](#) for the implementation of its conflict of interest policy.

31. 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

32. The Committee meets at least four times a year.
33. The Committee may convene additional meetings at the request of the Council, the Chair or the majority of its members.
34. The Committee normally meets in person, with the possibility of remote attendance. Where necessary, the Chair, following consultation with the President of Council, may decide on a remote-only meeting.

35. The Committee has two operating modes, Normal and Closed.
36. The Committee usually meets in Normal mode but can meet in Closed operating mode at the request of the Council, the Chair or any Committee member.
37. For the discussion of and any decision on a matter, the presence of a majority of the members of the Committee constitutes the required quorum.

b) Agenda, documents and minutes

38. The agenda is prepared by the Chair in consultation with the Head of the CERN Internal Audit service.
39. All documents and information submitted to or produced by the Committee remain confidential, unless otherwise determined. At the time of their appointment, members of the Committee acknowledge in writing their individual obligation to maintain confidentiality.
40. Minutes are produced in accordance with the established procedures for the minutes of the Council and its subordinate bodies.

c) Attendance

41. The President of Council and the Chair of the Finance Committee are entitled to attend meetings held in Normal operating mode.
42. The Chair may decide to invite individuals to be present for specific agenda items.
43. The Committee may hold private sessions with the Director-General, CERN personnel or external assurance providers, as appropriate.
44. 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.
45. The attendance rights for Committee meetings conducted in each operating mode are set out in annex 1.

V. Decision making

46. In reaching its recommendations and decisions, the Committee strives for consensus.
47. Where a formal vote is taken, each member has one vote. Decisions are taken by a simple majority of members present and voting. In the event of a tie, the Chair has the casting vote.

48. A member who cannot participate in a Committee meeting may inform the Chair of their position with regard to any decision to be taken and request the Chair to inform the other members of such position, which does not, however, constitute a vote.
49. In compliance with the Organization's Code of Conduct as well as its conflict of interest policy, participants in Audit Committee meetings contribute to a constructive climate of discussions that is conducive to consensus building.

VI. Reporting

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

VII. Rules of Procedure of the Council

51. Pursuant to Rule 21 of the Rules of Procedure of the Council, the latter Rules of Procedure apply *mutatis mutandis* to the Committee unless the present document contains specific provisions covering the issue(s) concerned.²

² At the time of approval of this document, the most recent version of the Council Rules of Procedure was that approved by the Council in June 2023 (CERN/3388/RA/Rev.3).

Annex 1
CERN Audit Committee Terms of Reference
Attendance in the two operating modes of the Committee (article 45)

Normal operating mode	Closed operating mode
<ul style="list-style-type: none"> - Chair and Vice-Chair - Members - President of Council - Chair of the Finance Committee - Director-General - CEO of the Pension Fund, for Pension Fund matters - Any other person invited by the Chair to attend 	<ul style="list-style-type: none"> - Chair and Vice-Chair - Members - Any other person invited by the Chair to attend
<p>CERN support:</p> <ul style="list-style-type: none"> - Head of the Internal Audit service - Council secretariat - Legal Counsel - Minute-writers - Audio-visual technicians 	<p>CERN support: none</p>