

ORGANISATION EUROPEENNE POUR LA RECHERCHE NUCLEAIRE  
**CERN** EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

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Action to be taken

Voting Procedure

For information	<b>SCIENTIFIC POLICY COMMITTEE</b> 263 <sup>rd</sup> Meeting <b>14 &amp; 15 December 2009</b>	—
For information	<b>FINANCE COMMITTEE</b> 328 <sup>th</sup> Meeting <b>16 December 2009</b>	—
For approval	<b>RESTRICTED COUNCIL</b> 153 <sup>rd</sup> Session <b>17 December 2009</b>	2/3 Majority of all the Member States

CERN AUDIT COMMITTEE

FUTURE TERMS OF REFERENCE AND NAME

PROPOSAL BY THE PRESIDENT OF COUNCIL AND THE CHAIRMAN  
OF THE FINANCE COMMITTEE

The Council is invited to approve the proposed revised terms of reference of the CERN Audit Committee as set out in Annex 1 of this document and to change its name to “Standing Advisory Committee on Audits”.



## **I. INTRODUCTION**

By a Resolution adopted in December 2002 (CERN/2471/Rev.2), the Council decided to establish a CERN Audit Committee and to monitor its role and terms of reference at regular intervals.

In March 2006 and December 2008 the Council approved revised terms of reference for the CERN Audit Committee.

In 2009, following up on an invitation by the Chairman of the CERN Audit Committee, the Council initiated a reflection about the future aim of the Committee and decided, at its June 2009 Session, that the President of the Council and the Chairman of the Finance Committee would consult with the External Auditors on possible measures to enhance Council's interaction with the various audit bodies.

Between August and October 2009, bilateral meetings with the former Heads of the CERN External Audit teams from Norway (Mr Jøranli) and from Austria (Mr Jaros) and the present External Audit team from the Corte dei Conti in Italy were held in order to determine how to optimize the role of the Audit Committee and its interaction with the External and Internal Audit, the specialized audit of the Pension Fund as well as with the Finance Committee, the Scientific Policy Committee and the Council.

A joint audit workshop including the President of the Council, the Chairman of the Finance Committee, the CERN Internal Audit, the Management of the Pension Fund, the former Head of the CERN External Audit team from Norway and the present External Audit team from the Corte dei Conti was held on 23 November 2009 with the aim of coming forward with a well founded and sound proposal for revised terms of reference for the CERN Audit Committee as of 2010.

The outcome of these discussions showed that a modification of the present terms of reference of the CERN Audit Committee would focus its activities on

advising the Council on audit matters and that the Committee's terms of reference should be revised for this purpose. A proposal for revised terms of reference taking into account the input received from the External Auditors is set out in Annex 1 to the document.

The discussion on the future and the revised terms of reference of the Audit Committee also revealed that its name needed to be adapted in order to correctly reflect its future role.

Finally, the aforementioned consultations also addressed the practical functioning of the Committee under the proposed revised terms, set out hereafter in an indicative schedule of meetings as shown in Annex 2.

## **II. PROPOSAL**

The Council is invited to approve the proposed revised terms of reference of the CERN Audit Committee, as set out in Annex 1 of this document, and to change its name to "Standing Advisory Committee on Audits".

## STANDING ADVISORY COMMITTEE ON AUDITS

### Terms of Reference

#### Purpose

The Standing Advisory Committee on Audits (hereinafter referred to as the Committee) advises Council with respect to all components of the audit structure of the Organization, including its Pension Fund, which are the following:

- A. The **Organization's official auditors** (hereinafter referred to as the External Auditors) who are appointed by and report to the Council pursuant to Article 8 of the Protocol annexed to the Convention; they audit the accounts and financial statements of the Organization and its Pension Fund. In addition, Article 21 of the Organization's Financial Rules specifies that the External Auditors shall carry out any audit they consider necessary in that framework or any audit expressly requested by the Council or the Finance Committee;
- B. The **Internal Audit**, established by Article 20 of the Organization's Financial Rules, who reports directly to the Director-General. The Director-General defines the Internal Audit's programme of work;
- C. The **specialized pension fund audit consultancy firm** which, under the provisions of document CERN/2733/Rev., Governance Principles and Structure of the Pension Fund, is mandated by the Pension Fund Governing Board to perform an additional annual audit of the Pension Fund. The specialized consultancy firm reports to the Pension Fund Governing Board.

**Mandate****A. Regarding the External Auditors**

The Committee shall:

in respect of the certification of the financial statements of the Organization and of its Pension Fund:

1. analyze, in consultation with the CERN Management and the Pension Fund Governing Board, and in liaison with the External Auditors, the results of the audits of the Financial Statements of the Organization and of the Pension Fund and the External Auditors' recommendations, and report any major concern to the Council;

in respect of other audits:

2. analyze the External Auditors' audit approach, audit plan and the expertise needed to carry out the audit plan and give feedback to the Council;
3. communicate to the External Auditors suggestions by the Council, Scientific Policy Committee, Finance Committee or the Committee itself, for topics or matters that could usefully be addressed by the External Auditors as part of the audit of the Organization's and its Pension Fund's operations, such as, for example, performance issues;

and, in general:

4. examine the responses of the CERN Management and the Administration of the Pension Fund to the recommendations of the External Auditors and advise the Council on the measures to be taken in respect of those recommendations;
5. monitor the implementation by the CERN Management and the Pension Fund Governing Board of Council decisions on the External Auditors' recommendations, on the basis of the External Auditors' regular follow-up;
6. assist the Council in the process of appointing the External Auditors, inter alia by advising the Council on the national audit offices that are willing to be approached to serve as CERN's External Auditors.

## **B. Regarding the Internal Audit**

The Committee shall also:

7. advise on measures necessary to ensure that the Internal Audit is able to fulfil its mandate independently;
8. suggest input for the annual Internal Audit plan, prior to its consideration and approval by the Director-General;

## **C. Regarding the specialized consultancy firm for pension fund audits**

The Committee shall further:

9. suggest input for the audit plan of the specialized consultancy firm for pension fund audits, prior to its consideration and approval by the Pension Fund Governing Board;

### **In addition,**

10. The Committee shall advise the Director-General and the Pension Fund Governing Board, as appropriate, on the activities of the Internal Audit and those of the specialized consultancy firm for pension fund audits, also with regard to the activities of the External Auditors;
11. The Committee shall collate the comments by the Scientific Policy Committee, Finance Committee and External Auditors on the Organization's "Annual Progress Report" of the previous year, provide comments and, on the basis of all those comments, advise the Council on measures to be taken, and, if appropriate, recommend targeted audits, prior to submission of the Annual Progress Report for approval by the Council in June.

## **Authority**

12. The CERN Management and the Pension Fund Governing Board shall provide the Committee with the information that it requests.
13. The Committee shall have access to the outcome of the activities of the specialized consultancy firm for pension fund audits.
14. Concerning the outcome of the Internal Audit's activities, the Committee shall have access to it on request to the Director-General.
15. The Committee may call on experts to assist it in its work.

**Composition**

16. The Committee shall be chaired by the Chairman of the Finance Committee. The Chairman shall select a maximum of three members, of whom one shall be a Council Delegate and two others shall be chosen from a pool of experts proposed by the Member States. The President of Council shall, after consultation with the Chairman, propose the selected three members for Council's approval.  
The three Committee members shall serve for a maximum of three years. The appointments shall ensure that membership terms are staggered.
17. The President of the CERN Council may attend the Committee meetings in an ex-officio capacity.
18. The Head of Internal Audit shall act as Secretary of the Committee.

**Qualifications and independence**

19. The members of the Committee should collectively have the skills, knowledge and experience to fulfil their duties (e.g. previous responsibilities in management of research laboratories or international organisations, audit functions, etc.)
20. Members of the Committee shall act independently of the institutions to which they belong and of their national affiliation.

**Reporting**

21. The Committee shall regularly report to the Council and its subordinate bodies on its activities in order to facilitate decision making by the Council on audit matters.

**Meetings**

22. The timetable of standing meetings of the Committee shall be decided annually in the framework of the Council's annual decision on the timetable of Council Sessions and Committee Meetings.
23. The Committee may convene additional meetings as circumstances require.
24. The terms of reference, membership, timetable and agendas of the Committee shall be published electronically and shall be accessible via the Council web site in the same way as those of the Scientific Policy Committee and Finance Committee.



FINyear(N) Calendar	Body	January	February	March	April	May	June	July	August	September	October	November	December
CERN Governance				Consideration of Annual report of FINyear(N-1) by SPC, Ext. Auditors, CAC, FC/Council		Discussion of MTP (FINyear(N+1) to FINyear(N+5)) by SPC	Submission of MTP (FINyear(N+1) to FINyear(N+5) to FC/ Council (including budget of FINyear(N+1) in prices of FINyear(N)) f or approval if possible			European Strategy Session of Council  (If not approved in June) Approval of MTP FINyear(N+1) to FINyear(N+5) (including Budget of FINyear(N+1) in prices of FINyear(N))			Initial discussion between Council and Management Oral presentation from the management SPC and Restricted Council f or FINyear(N+2)
Planning cycle				Consideration of the report on Purchasing by FC during the period of FINyear(N-1)									
Reporting cycle				Consideration of the report on Technology Transfer by FC in FINyear(N-1)			Approval of Annual Reports and Annual Accounts of FINyear(N-1) by FC/Council						Submission f or information to FC/ C of the approved Budget of FIN(N+1) converted into prices of FINyear(N+1). Approval of CVI and scale of contributions by FC/ Council
Management													
		Preparation of APR for FINyear(N-1) (ctd.)											Preparation of APR for FINyear(N)
		preparation of MTP (FINyear(N+1) to FINyear(N+5))											
													Preparation of Financial Statements for FINyear(N)
		Preparation of Financial Statements for FINyear(N-1) (ctd)											
Pension Fund										Approval of annual audit plan proposed by SCFPF	Interim audit by SCFPF		
					Output of final audit by SCFPF								
					Preparation of Financial								
					Preparation of Annual Report								
Internal Audit	Report of activities on FINyear(N-1)  Approval of audit plan for FINyear(N) by Director-General												Preparation of IA plan for FINyear(N+1) on the basis of a risk analysis and using input from various sources
External Audit		Audit (ctd.)				Meeting between CERN Management, PFGB, General Manager of PF, Chairman of FC and the EAs to analyze the EA reports on Financial Statements and the comments from Management and Administration of the Fund	Special meeting between FC delegates and EAs (on Tuesday before FC meeting)					Audit	
				Audit of the Financial Statements of the Organization for FINyear(N-1)									
				Audit of the Financial Statements of the Pension Fund for FINyear(N-1)									
Standing Advisory Committee on Audits						Meeting end of May: - analyze their reports on Financial Statements with the EAs - discuss with Management and the PFGB their replies - propose decisions to Council - monitor the implementation of past EAs' recommendations - compile assessments of APR and suggest additional audits to EAs.				Meeting September-October: - analyze their audit plan with the EAs - advise the PFGB on the activities of he SCFPF also with regard to the activities of the EAs - provide input with respect to the audit plan of SCFPF		Meeting November-December: - review activities of year FIN(N) - plan activities of year FIN(N+1) - advise the DG on the activities of IA also with regard to the activities of the EAs - provide input with respect to the audit plan of IA	