

**DECISION n°81**

**of the Administrative Board of the European Railway Agency amending the internal control standard n°16 'internal audit function'**

THE ADMINISTRATIVE BOARD OF THE EUROPEAN RAILWAY AGENCY,

Having regard to Regulation (EC) No 881/2004 of the European Parliament and of the Council establishing a European Railway Agency<sup>1</sup> (hereinafter referred to as "the Agency"),

Having regard to the Agency's financial regulation adopted on 15 July 2004 and in particular articles 38.4 and 71 thereof, hereinafter the 'Financial Regulation',

Having regard to ERA AB decision n°23 of the Administrative Board of the European Railway Agency adopting Internal control standards for the European Railway Agency dated 28 October 2008,

Whereas:

- (1) Due to the evolution of the activities of the Agency over the years, it become evident the necessity to amend internal control standard N°16 -Internal Audit / Quality Capability in order to make optional for the Executive Director the possibility to set up an Internal Audit Capability while it is an obligation at present,
- (2) An in-depth cost/benefit analysis clearly indicated the need of enhancing the internal control coordinator function aiming at better supporting the Executive Director in the implementation of risk management and assessment of the internal control system including the evaluation of the Internal Control Standards, its effective integration into the quality management system and support in implementing the internal quality management audit,

HAS DECIDED AS FOLLOWS:

*Article 1*

Internal control standard n° 16 is modified and reads as follows:

'16. Internal audit function- The internal audit function is provided by the Internal Audit Service (IAS) of the European Commission with the aim to give independent, objective assurance and consulting services designed to add value and improve the operations of the Agency.'

In addition, the Executive Director of the Agency may decide based on his/her judgment to integrate and/or complement the IAS with a resident internal audit capability (IAC) in order to effectively fulfill his/her needs in terms of assurance over internal control, governance and risk management.'

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<sup>1</sup> OJ L 164, 30.04.2004, p. 1.

*Article 2*

The present decision shall enter into force on the day following that of its adoption. It will be published on the Agency website.

Done at Lille, 20-03-2013

For the Administrative Board

The Chairman

Christopher IRWIN

Annex: ERA Internal control standards - consolidated version

## Internal Control Standards of the European Railway Agency-*consolidated version*

<b>1. Mission and Values</b>	<p>The Agency's <i>raison d'être</i> is clearly defined in up-to-date and concise mission statements developed from the perspective of the Agency's customers and coherent with ERA's Founding Regulation.</p>
<b>2. Ethical and Organisational Values</b>	<p>The Agency shall promote and favour the implementation of organisational and ethical values. Management and staff shall be aware of and share appropriate ethical and organisational values and uphold these through their own behaviour and decision-making.</p>
<b>3. Staff recruitment, mobility and turn over</b>	<p>The recruitment of staff shall be based on the Agency's objectives and priorities. Management shall promote a staffing policy enabling the Agency to strike the right balance between business continuity and renewal of technical expertise.</p>
<b>4. Staff Performance Management &amp; Development</b>	<p>Staff performance shall be evaluated against individual objectives, tasks, aspects of competence and conduct. Adequate measures shall be taken to strengthen and develop knowledge and skills necessary to achieve the objectives, perform the tasks and comply with expected standards of competence and conduct</p>
<b>5. Objectives and Performance Indicators</b>	<p>The Agency's objectives shall be clearly defined and updated when necessary. These are formulated in a way that makes it possible to monitor their achievement. Key performance indicators shall be established to help management evaluate and report on progress made in relation to their objectives.</p>
<b>6. Risk Management Process</b>	<p>The Agency shall undertake a regular and effective risk management process.</p>
<b>7. Operational Structure</b>	<p>The Agency's operational structure shall support effective decision-making by suitable delegation of powers. Risks associated with the Agency's sensitive functions are managed through mitigating controls. Adequate IT governance structures shall be in place.</p>
<b>8. Processes and Procedures</b>	<p>The Agency's processes and procedures used for the implementation and control of its activities shall be effective and efficient, adequately documented and compliant with applicable provisions. They shall include arrangements to ensure segregation of duties and to track and give prior approval to control overrides or deviations from policies and procedures.</p>
<b>9. Management Supervision</b>	<p>Management supervision shall be performed to ensure that the implementation of activities is running efficiently and effectively while complying with applicable provisions</p>

<b>10. Business Continuity</b>	Adequate measures shall be in place to ensure continuity of service in case of "business-as-usual" interruption. Business Continuity Plans shall be in place to ensure that the Agency is able to continue operating to the extent possible whatever the nature of a major disruption.
<b>11. Document Management</b>	Appropriate processes and procedures shall be in place to ensure that the Agency's document management is secure, efficient (in particular as regards retrieving appropriate information) and complies with applicable legislation.
<b>12. Information and Communication</b>	<p>Internal communication shall enable management and staff to fulfil their responsibilities effectively and efficiently, including in the domain of internal control.</p> <p>The Agency shall have an external communication strategy to ensure that its external communication is effective, coherent and in line with the Agency's core mission.</p> <p>IT systems used and/or managed by the Agency shall be adequately protected against threats to their confidentiality and integrity.</p>
<b>13. Accounting and Financial Reporting</b>	Adequate procedures and controls shall be in place to ensure that accounting data and related information used for preparing the organisation's annual accounts and financial reports are accurate, complete and timely.
<b>14. Evaluation of Activities</b>	Evaluations of expenditure and non-spending activities shall be performed to assess the results, impacts and needs that these activities aim to achieve and satisfy.
<b>15. Assessment of Internal Control Systems</b>	The Agency shall assess the effectiveness of its internal control system at least once a year.
<b>16. Internal Audit Function</b>	<p>The internal audit function is provided by the Internal Audit Service (IAS) of the European Commission with the aim to give independent, objective assurance and consulting services designed to add value and improve the operations of the Agency.</p> <p>In addition, the Executive Director of the Agency may decide based on his/her judgement to integrate and/or complement the IAS with a resident internal audit capability (IAC) in order to effectively fulfil his/her needs in terms of assurance over internal control, governance and risk management.</p>