



## **OCCAR Management Procedure**

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## Record of changes

Date	Issue	Changes
09/12/08	1	Initial Issue. Approved by 19 <sup>th</sup> BoS on 28/11/08.
10/06/14	2	Overall structure modification and major revision taking into account all stakeholder inputs.
11/12/20	3	Withdrawal of the TLMC and its corresponding ToR and establishment of an Internal Audit Charter in line with the International Professional Practices Framework (IPPF) following BoS decision to establish a dedicated OCCAR Internal Audit Function.

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## List of acronyms/definitions/explanations

BoS	Board of Supervisors
CIA	Certified Internal Auditor
FTPC	Future Tasks and Policy Committee
IPPF	International Professional Practices Framework
ISO	International Organisation for Standardisation
OCCAR	Organisation Conjointe de Coopération en matière d'ARmement
OCCAR-EA	OCCAR Executive Administration
OMP	OCCAR Management Procedure(s)

## **1. Introduction**

In 2001, OCCAR Member States decided to establish, implement and maintain a quality management system within OCCAR-EA based on the ISO 9001 framework. The OCCAR-EA quality management system covers the whole range of OCCAR-EA's business and is therefore considered as the "Business Management System".

The ISO 9001 framework requires the performance of internal audits at planned intervals to provide audit evidence that the quality management system:

- Conforms to OCCAR-EA's business requirements and the ISO 9001 framework and
- Is effectively implemented and maintained.

In fulfilling this requirement, internal audits provide an assessment regarding:

- The design of the quality management system;
- Its implementation across the organisation and
- Assurance in terms of effectiveness and efficiency.

In summary, the internal audit mission is to enhance and protect the organisational value by providing risk-based and objective assurance, advice, and insight.

## **2. Definition**

"The Internal Audit Function provides independent, objective assurance and consulting services designed to add value and improve an organization's operations.

The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes."

## **3. Related documentation**

ISO 19011 Guidelines for auditing management systems

IPPF International Professional Practices Framework, including its Standards, Core Principles and Code of Ethics

OMP 3 Corporate Management

OMP 11 Security Regulations

OMP 12 Handling of Unclassified Sensitive Information

## **4. Independence**

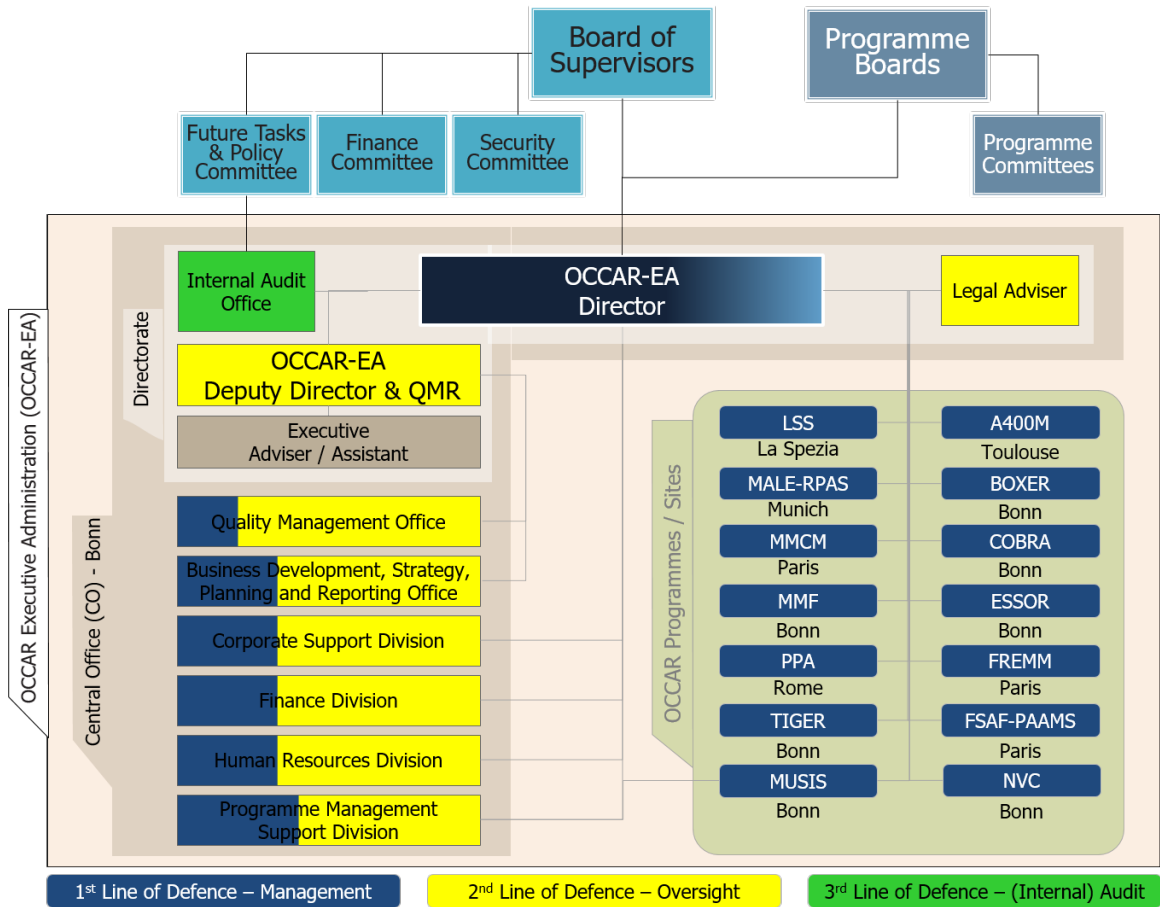
OCCAR-EA follows the "three lines of defence model", which provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and responsibilities.

The Internal Audit Office leads the Internal Audit Function, hence represents the "3<sup>rd</sup> line of defence" within the organisation.

Additional personnel assigned to carry out internal audits, shall be independent from the business areas to be audited, therefore neither executing the respective business

operation (“1<sup>st</sup> line of defence”) nor designing / modifying the respective internal controls (“2<sup>nd</sup> line of defence”).

The “three lines of defence model” for OCCAR-EA is reflected below:



Internal audits are carried out under the lead of the Internal Audit Office, and where considered needed, supported by audit trained staff members of OCCAR-EA.

The Internal Audit Office has the final decision regarding the composition of each team.

## 5. Internal Audit Strategy and Programme

The internal audit strategy and its corresponding audit results allow the OCCAR-EA Director, at the end of each calendar year and in combination with all other elements of the internal control process, to provide to the Board of Supervisors (BoS) an opinion on the adequacy, effectiveness and efficiency of the organisation.

The Internal Audit Office will develop and maintain the internal audit strategy covering – as a minimum – the following aspects:

- Introduction;
- Internal Audit Approach;
- Auditable areas;
- Multi-Year & annual internal audit programme;
- Quality assurance and improvement programme.

The FTPC in their role as Audit Committee shall approve the internal audit strategy at the end of each calendar year for the forthcoming year.

## **6. Annual Internal Audit Programme**

During the course of the year, changes to the annual audit programme are possible but should be limited to exceptional cases (e.g. unexpected breakdown of systems and processes).

## **7. Individual Internal Audit**

In addition to the requirements of the related documentation, the OCCAR-EA Director can also request ad-hoc internal audits to highlight the presence of control weaknesses in particular areas / cases.

Each internal audit will be closed at the closure meeting with the OCCAR-EA Director, having the final report issued and the corrective action(s) agreed.

## **8. Follow-Up activities**

The Internal Audit Office shall ensure that proposed solutions are appropriate to eliminate not only the problem, but also its root cause.

## **9. External support**

In order to ensure adequate internal audit coverage, it may be necessary to consider outsourcing some internal audits to:

- Private sector audit service providers;
- Member States' own internal audit organisations or
- Seek assistance from specialists of the Member States.

The Internal Audit Office will appoint each internal auditor from an external source who shall fulfil the competence requirements as an Internal Auditor in accordance with paragraph 11.

## **10. Fraud awareness**

In case of fraud or suspicion of fraud, the Internal Audit Office shall report to the OCCAR-EA Director in accordance with its associated Internal Procedure and to the FTPC.

## **11. Access rights**

The internal auditors shall be granted access to all the information required for the proper performance of the internal audit. Authority is granted for full, free and unrestricted access to any and all of the organisations records (including sensitive material), physical properties, and personnel relevant to any function under review. Auditee mgt. shall ensure the availability of staff to be audited to ensure the proper function of the audit process. Documents and information given to internal auditors will be handled in the same prudent and confidential manner as for the staff normally accountable for them.

As the internal auditors may collect and further process personal data during the internal audit, it shall be treated in accordance with its associated Internal Procedure.

Internal auditors, who have a need to know to fulfil their official audit functions, shall obtain relevant Internal Audit reports including all recommendations together with a summary on their request and in accordance with OMP 11 and OMP 12.

## **12. Training and Principles of auditing**

The staff of the Internal Audit Office needs to be trained on the latest versions of the ISO 9001 standard and the IPPF. Furthermore, internal auditors shall have successfully passed the:

- Certified Internal Auditor (CIA) Examination or
- ISO 9001:2015 Lead Auditor Training course or
- Equivalent

and should adhere to the following ethical guidelines<sup>1</sup>:

Rule	Principle
Integrity	The foundation of professionalism
Fair presentation	The obligation to report truthfully and accurately
Due professional care	The application of diligence and judgement
Confidentiality	To ensure the security of information
Independence	The basis for the impartiality of the audit and objectivity of the audit conclusions
Evidence-based approach	The rational method for reaching reliable and reproducible audit conclusions in a systematic audit process

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<sup>1</sup> For more details, see also clause 4 "Principles of auditing" within ISO 19011 and "Code of Ethics" as part of the IPPF.