



FUSION FOR ENERGY

The European Joint Undertaking for ITER and the Development of Fusion Energy
THE GOVERNING BOARD

DECISION OF THE GOVERNING BOARD ADOPTING AN AMENDED CHARTER OF THE AUDIT COMMITTEE

THE GOVERNING BOARD,

HAVING regard to the Statutes annexed to the Council Decision (Euratom) No 198/2007 of 27 March 2007 establishing the European Joint Undertaking for ITER and the Development of Fusion Energy (hereinafter "Fusion for Energy") and conferring advantages upon it¹ (hereinafter "the Statutes") and in particular Article 6(3)(r) thereof,

Having regard to decision of the Governing Board establishing the Audit Committee and adopting its Charter of 10th June 2010²;

WHEREAS changes to the audit governance of Fusion for Energy as well as the scope and duration of the Audit Committee's mandate require amendments to the Charter of the Audit Committee,

HAS ADOPTED THIS DECISION:

Article 1

The Governing Board of F4E adopts the amended Charter of the Audit Committee, which is attached to this decision.

Article 2

This decision has immediate effect.

Done at Barcelona, 28th March 2012

For the Governing Board

Stuart Ward
Chair of the Governing Board

¹ O.J. L 90 , 30.03.2007, p. 58.

² F4E(10)-GB16-19b adopted 10/06/2010

ANNEX

AMENDED CHARTER OF THE AUDIT COMMITTEE OF FUSION FOR ENERGY

This Charter establishes the role, the composition and the organisation, responsibilities and reporting arrangements of the Audit Committee of Fusion for Energy (F4E).

1- ROLE

The Audit Committee is an advisory committee to the Governing Board charged with the oversight of Financial Reporting and Accounting; Governance, Internal Control and Risk Management matters; External Audit and Internal Audit.

In particular and notwithstanding the prerogatives allocated to the Executive Committee and the Administrative and Finance Committee, the Governing Board shall entrust the Audit Committee with:

(Financial Reporting and Accounting)

- o the examination of the annual accounts and financial reports in view of ensuring that these are balanced, fair and conform to accounting standards and appropriate legal and statutory responsibilities;
- o the review of financial reports produced by management, the system of financial accounting and controls in operation, and the adequacy of personnel and other resources available in that respect;

(Governance, Internal Control and Risk Management)

- o the oversight of Internal Control and Risk Management arrangements in place so as to ensure that risks identified by management and the mitigation steps proposed are in accordance with the risk profile and risk appetite of the organisation;
- o the assessment of measures in place to evaluate and mitigate the risk of fraud and, more generally, to monitor compliance with laws and regulations;

(External Audit and Internal Audit)

- o the analysis of audit results from external audits (European Court of Auditors);
- o the analysis of results from internal audits;
- o the examination of any assessment activities deemed necessary to ensure that the recommendations of the Internal Auditor (in the following “IAS”), those of the Internal Audit Capability (in the following “IAC”) and those of the European Court of Auditors are taken into account by the Director (and, when relevant, by the Governing Board) and receive appropriate follow-up;

- o the oversight of the Internal Audit activities, in particular the assessment of the annual planning process and of the quality of audit work.
- The Audit Committee guarantees the independence and objectivity of the Internal Audit Capability of Fusion for Energy.
- At the request of the Chair of the Governing Board, the role of the Audit Committee may be extended, on an *ad hoc* basis, to the follow-up of activities of other external assurance providers.

2- COMPOSITION

- The Audit Committee shall comprise five members. It shall be composed of members with proven professional experience covering a variety of appropriate backgrounds (such as auditing, governance, relevant operational fields, finance or Information Technology).
- At least one member of the Audit Committee shall be a member of the Governing Board of Fusion for Energy.
- One member of the Audit Committee shall be proposed by Euratom.
- Members of the Executive Committee or of the Technical Advisory Panel, or members of the management or staff of Fusion for Energy **cannot** be members of the Audit Committee.
- The Chairperson and the members of the Audit Committee shall be designated by the Governing Board on a proposition by the Director of Fusion for Energy, including the member proposed by Euratom.
- The Governing Board appoints the Chairperson and approves the other members of the Committee by written decision.
- Membership shall be granted *ad personam* and shall not be delegated.
- The Chair and the members of the Audit Committee shall be independent, i.e. behave and act free of conflicts of interests of any kind; the management of potential conflicts of interest is subject, by analogy, to the same rules³ that apply to the Executive Committee.
- The Chair and the members of the Audit Committee are covered by the provisions of Art. 194 of the Euratom Treaty and Art. 339 of the EU Treaty; they shall handle information entrusted to them during the performance of their duties and beyond in respect of strict confidentiality rules. They shall adhere to the rules and policies of Fusion for Energy with regard to the confidentiality and security of information and may be asked to confirm in writing their adherence to these rules.

³ F4E(07)-GB01-04.6 Adopted 28/06/2007

3- ORGANISATION AND MEETINGS ATTENDANCE

- Starting as of 1 July 2010, the mandate of Audit Committee Members shall have a term of two years. Membership may be renewed once.
- The mandate of the Chair is limited to two years. It can be renewed once on the condition that the total duration of the mandates does not exceed four years. However, the mandate of the outgoing Chairperson can be renewed once as a member of the Audit Committee.
- Meetings shall be held at least twice a year, or more frequently as circumstances require. Participation may not be delegated.
- The quorum to hold a meeting shall be three members.
- Except in case of potential conflict of interest with the work of this Committee, the Director and the Head of IAC shall attend the meetings of the Audit Committee. The Head of IAC shall not take part in the meetings aimed at assessing the quality of the internal audit work.
- The Internal Auditor, within the meaning of Article 75 of the F4E Financial Regulations, shall be invited to attend the meetings of the Audit Committee each time the Director or the Chair considers his/her participation as necessary or useful.
- The Committee shall work on a basis of consensus. Minority opinions, if any, shall be duly recorded in the minutes and, if appropriate, in activity reports.
- The Committee may issue recommendations by written procedure. In such cases the recommendations, and more generally the output of the Committee work, must be transmitted to the Director for information. Restrictions apply in the cases mentioned in Article 5 of this Charter.
- Fusion for Energy shall provide the secretariat to the Audit Committee. Notwithstanding his/her position as a staff member of Fusion for Energy, in the exercise of his/her duties the Secretary of the Audit Committee is bound by the rules of independence and confidentiality by analogy to those applicable to the Committee members.
- The Committee may invite members of the management or staff or Committees of Fusion for Energy, or external experts to attend meetings where it considers this is necessary.
- The Director shall invite the Committee Members and the persons identified by the Committee; any cost incurred in that respect (meetings and travel expenses) shall be borne by Fusion for Energy in accordance with the rules applied by Fusion for Energy for the reimbursement of expenses to experts.

4- RESPONSIBILITIES OF THE COMMITTEE

The responsibilities and tasks of the Committee shall be in general to provide the best advice and support to the Governing Board in the overall interest of the organisation, and in particular:

(With respect to financial reporting and accounting)

- To oversee the accounts and annual financial statements of F4E, and to report hereon to the Governing Board.

(With respect to Internal Audit)

- To examine and endorse the (Strategic or Annual) Audit Plans prepared by the IAS and by the IAC, making proposals to carry out audits where a particular need is perceived.
- To follow-up the implementation of the audit plan by keeping under review the scope, results and effectiveness of the internal audit planning.
- To keep the Governing Board informed of reports resulting from audits (IAS, IAC, European Court of Auditors and other external party audits) and the management's response thereto.
- To monitor the quality of internal audit work at Fusion for Energy, in particular by supervising the professional quality assurance programme attached to this activity.
- To meet the Internal Auditor (a representative of the IAS) or the Head of IAC to discuss any matters that the Audit Committee, the Internal Auditor or the Head of IAC may believe appropriate to be discussed privately.
- To recommend the appointment of the Head of IAC, or the termination of his/her functions.

(With respect to Internal Control and Risk Management)

- To analyse audit reports, consider and review with the Senior Management significant findings and opportunities for improvement and their responses thereto, in the form of adopted action plans.
- To monitor action taken by Fusion for Energy in response to analyses, assessments and recommendations of internal and external auditors.
- To advise senior management about significant risks or exposures and evaluate the steps taken to minimise such risks to Fusion for Energy.

The Chair of the Governing Board may delegate to the Chair of the Audit Committee his responsibilities as "Countersigning Officer" in the context of the yearly appraisal of Internal Audit Staff reporting to the Director.

With that exception:

- The work of the Audit Committee should not infringe upon the tasks and responsibilities of the Director or the Executive Committee as laid down respectively in Articles 7(3) and 8(4) of the Statutes of Fusion for Energy.
- The Audit Committee shall be non-executive; in particular, it shall not be responsible for the implementation of audit recommendations, which rests under the ultimate responsibility of the Director.
- The authority of the Audit Committee shall be exercised through the Governing Board; in particular, when the Audit Committee issues recommendations to the Governing Board, it shall not be responsible for the response given to these recommendations, which rests under the ultimate responsibility of the Governing Board.

The Audit Committee shall have access to all personnel and information concerning the organisation; it should be able to access sufficient resources to enable it to fulfil its functions.

5- REPORTING

The Audit Committee shall bring to the attention of the Governing Board any issues arising out of the Committee's work. To that end, it shall report regularly, at least annually to the Governing Board on:

- the follow-up given by Fusion for Energy to major audit recommendations,
- the quality of internal audit work,
- its own activity.

All reports of the Audit Committee shall be transmitted to the Director in advance for information. This rule does not apply only in cases of gross negligence in the management, or suspicion of fraud, when it is considered that such communication would potentially harm the interests of Fusion for Energy or of those of the European Atomic Energy Community.

The output of the Audit Committee shall be, as appropriate, reported by the Chairman to the plenary sessions of the Governing Board.

The secretariat shall distribute copies of the minutes of Audit Committee meetings to the Chair of the Governing Board and the Senior Management of Fusion for Energy.

6- TERMINATION

The mandate of the Audit Committee expires on 30 June 2014. Before the end of its term, the Governing Board shall evaluate the work of the Audit Committee and the implementation of this Charter. The Governing Board may then decide extending further the duration of the Audit Committee.