



SUPREME AUDIT OFFICE
POLAND

EXTERNAL AUDIT FOR CERN

FINANCIAL AUDIT SCOPE AND TIMELINE

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20 March 2018



Agenda

- CERN: basic facts
- NIK's methodology for the financial audit
- CERN financial audit scope
- CERN Pension Fund: basic facts
- CERN Pension Fund audit scope
- Audit timeline
- NIK's audit team



CERN: basic facts



CERN: European Organisation of Nuclear Research



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CERN: basic facts



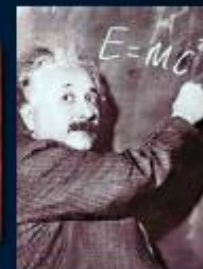
CERN: European Organisation of Nuclear Research



The Mission of CERN

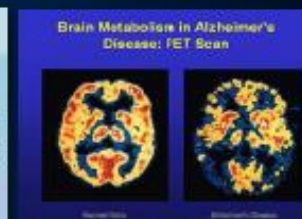
- ❑ **Push back** the frontiers of knowledge

E.g. the secrets of the Big Bang ...what was the matter like within the first moments of the Universe's existence?



- ❑ **Develop** new technologies for accelerators and detectors

Information technology - the Web and the GRID
Medicine - diagnosis and therapy



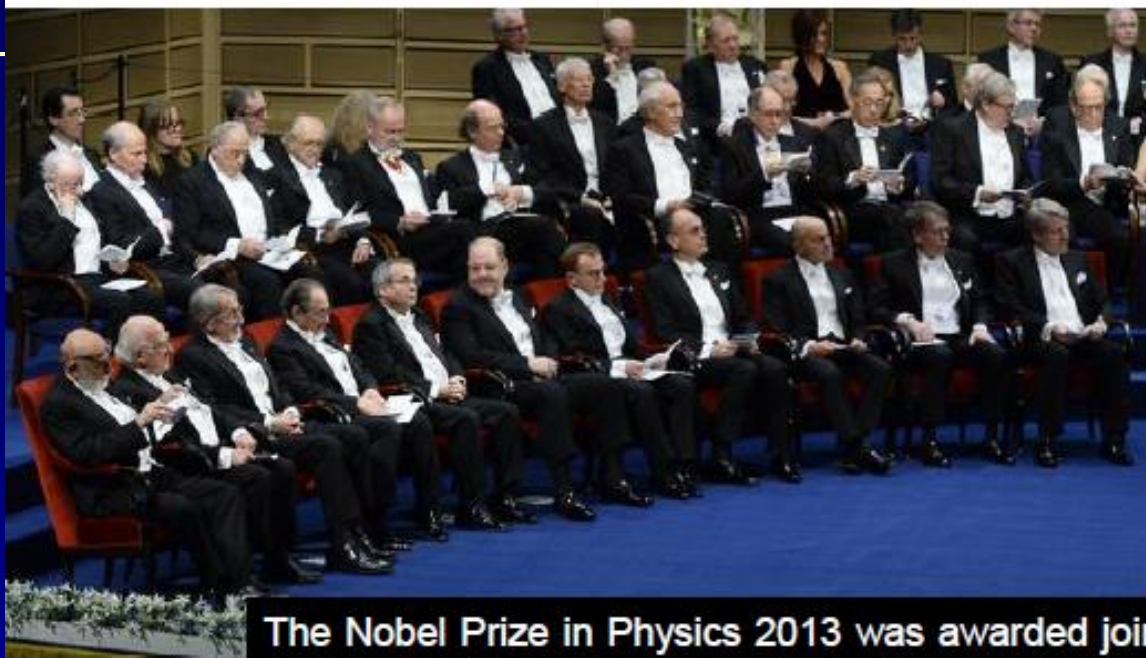
- ❑ **Train** scientists and engineers of tomorrow



- ❑ **Unite** people from different countries and cultures



Nobel Prize in Physics 2013



The Nobel Prize in Physics 2013 was awarded jointly to François Englert and Peter W. Higgs "for the theoretical discovery of a mechanism that contributes to our understanding of the origin of mass of subatomic particles, and which recently was **confirmed through the discovery of the predicted fundamental particle, by the ATLAS and CMS experiments at CERN's Large Hadron Collider**".



CERN: basic facts



Peter Higgs, François Englert y Sergio Bertolucci, director de investigación del CERN, participan en un encuentro científico en la Facultad de Ciencias de la Universidad de Oviedo. Foto: © Iván Martínez/FPA



NIK's methodology for the financial audit

Methodology reflected in ISSAI:

- ISSAI 1000-2999: Financial Audit Guidelines
- ISSAI 4000: Compliance Audit Guidelines
- Financial reporting framework: IPSAS

Risk-based approach and assurance model:

- Understanding the entity
- Identification of risks at process and assertion level
- Recognising controls to mitigate risks at process and assertion level

Audit assurance model:

- Testing of internal controls
- Converting risks and controls into assurance levels (for inherent and control risks)
- Designing further audit procedures based on the lacking assurance (up to 95% confidence level)



CERN financial audit scope

The aim of the audit will be to obtain and communicate to the users of financial and budget execution statements the reasonable assurance that:

- **they present, in all material respects, true and fair view of the CERN's:**
 - financial position,
 - financial performance,
 - its cash-flows, and
 - changes in net assets
- **the underlying transactions:**
 - conform to budget appropriations, and
 - are made in compliance with the CERN's financial and other relevant rules and regulations
- **CERN Annual Progress Report is true and consistent with information contained in the audited financial statements**

drawn up in accordance with the applied financial reporting framework (IPSAS)



CERN financial audit scope

2017 FS audit focus*):

- Physical control of PPEs (MR)
- Work-in-progress accounting (MR)
- PPEs impairment (HR)
- Remuneration data flow (MR)

Other audit routines:

- Substantive procedures on all other FS material items (LR)
- Checking completeness and accuracy of FS disclosure notes (LR)

*) This may change according to circumstances

Follow-up focus:

- Valuation of inventory: materials used for CERN engineering
- Monitoring progress in the concept of key performance indicators to be used for Annual Progress Report
- Blanket authorisation in the procurement of some IT hardware
- CERN internal control system

Checking consistency and veracity of the APR



CERN Pension Fund financial audit scope

The aim of the audit will be to obtain and share with the users of financial statements the reasonable assurance that:

- **they present, in all material respects, true and fair view of the CERN's:**
 - financial position,
 - financial performance,
 - its cash-flows, and
 - changes in net assets
- **CERN Pension Fund Annual Report is true and consistent with information contained in the audited financial statements**

drawn up in accordance with the applied financial reporting framework (relevant IPSAS + IAS 26)



CERN Pension Fund: basic facts

CERN Pension Fund is an employee defined benefit scheme of (operationally independent of CERN):

- **Over 4 BCHF worth of assets in 11 banks**
- **3.767 members (3.310 CERN + 457 ESO)**
- **3.610 beneficiaries (3.451 CERN + 159 ESO)**
- **Annual contributions 2016: 235 MCHF**
- **Annual benefits paid 2016: 318 MCHF**
- **Invested assets at the end of 2016: 3.780 MCHF**
- **Net investment income 2016: 58 MCHF**



CERN Pension Fund financial audit scope

2017 FS audit focus*):

- ❑ **Financial assets: items of large variance as compared to 2016 (LR)**
- ❑ **Completeness of disclosure notes regarding financial instruments (MR)**
- ❑ **External managers reports on equities: test valuation and accuracy of final figures in FS (MR)**
- ❑ **FS going concern ag. revised IPSAS 570**

Other audit routines:

- ❑ **Substantive procedures on all other FS material items (LR)**
- ❑ **Checking completeness and accuracy of FS disclosure notes (LR)**

***)** This may change according to circumstances

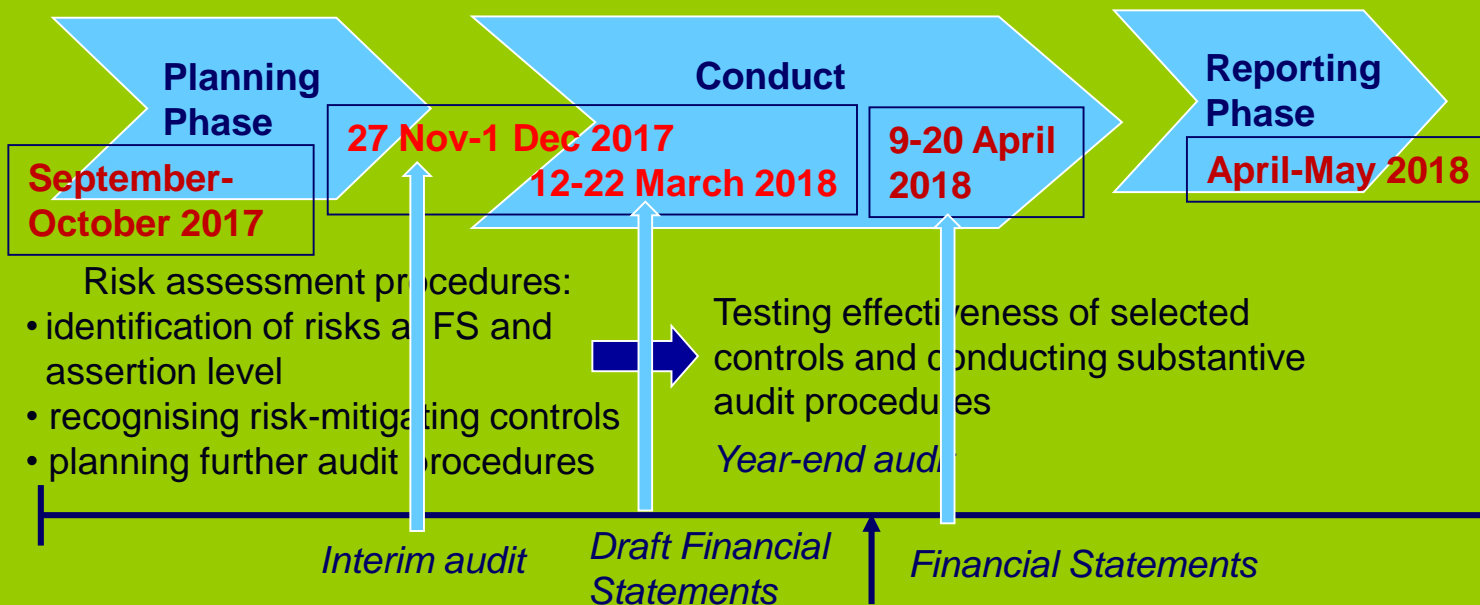
Follow-up focus:

- ❑ **Monitoring progress of the concept of applying COSO framework to the PF ICS**
- ❑ **Checking the implementation of the Register of Interest in the PF**

Checking consistency and veracity of the PF AR



NIK's AUDIT PLANNING TIMELINE





Presentation of the team

NIK's external audit team at CERN is composed of 6 persons, Primary auditor + three auditors conducting audit work at CERN and two – at CERN Pension Fund.

Audit team leader (Primary Auditor) leads both audits and is engaged directly in some audit procedures.

The composition of the team is as follows:

Wieslaw Kurzyca: Primary Auditor

Augustyn Kubik

Agnieszka Kalita

Jeremi Śliwiński

} CERN audit sub-team

Piotr Gostyński

Maciej Maciejewski

} CERN Pension Fund audit sub-team



Thank you
for your attention
We will be pleased to answer any
of your questions

