The Direction of the Ecole polytechnique fédérale de Lausanne,
based on Article 728 a of the Code of Obligations (CO)
based on Article 39 of the Federal Act on the finances of the Confederation Loi sur les finances de la Confédération,
based on Article 36 of the Ordinance on the finances of the Confederation Ordonnance sur les finances de la Confédération,
hereby adopts the following:

Article 1 Scope

1 In December 2007 the ETH Board decided that the institutions of the ETH Domain should implement an internal control system according to the provisions of the above-mentioned laws and ordinance. The guidelines set out in the following articles shall apply to all EPFL units. They shall likewise apply to entities close to EPFL (corporations, limited partnerships, foundations or associations) in which EPFL has a management role and to those benefiting from financial aid from EPFL.

Article 2 Definition & Purpose

1 The EPFL internal control system (hereafter “ICS”) contains the risks relating to management processes affecting:
   a. financial statements (Finance ICS);   b. key EPFL operations and activities with a financial impact (Operational ICS).

2 The ICS oversees the implementation of key controls to guarantee an acceptable risk level, based on the methodology of the COSO II model (COSO Enterprise Risk Management Framework), and favours a risk-based approach.

Article 3 Organisation

Internal control measures arising from the ICS are not organised as a separate ICS function, but integrated in the day-to-day operation of the units concerned. The roles and responsibilities in the field of ICS are as follows:

a. **Risk Management Committee**: ensures, among other tasks, the implementation and consistent development of an effective ICS at EPFL;

b. **SCI Committee (hereafter CSCI)**: is in charge of overall management and control of the ICS. The functioning and the membership of the CSCI is set out in LEX 1.4.3 Regulations concerning risk management organisation at EPFL;

c. **SCI Coordinator**: CSCI member in charge of developing and following up the ICS so as to meet the objectives set out in Art. 4 below. The SCI Coordinator also assists the units concerned in optimising their ICS;

d. **Process Managers**: in charge of the operational management of ICS for their own process, and in particular of ensuring that the ICS is regularly adjusted and kept up-to-date;

e. **Control Managers**: in charge of performing the controls and their traceability according to ICS documents.
**Article 4  Objectives**

1. The primary objective of the Finance ICS is to guarantee, for all key processes (c.f. Article 5), that:
   a. all financial reports, i.e. the EPFL and BBL annual accounts, annual budgets, financial reports to the EPFL Direction and ETH Board and financial reports to funding sources, are reliable;
   b. the use of financial means complies with applicable laws, regulations and directives;
   c. any errors or irregularities in the financial field are identified and prevented.

2. The objective of the Operational ICS is to guarantee control of management activities and processes, and the effectiveness and efficiency of operations. Any extension of the scope of the Operational ICS shall be decided by the CSCI.

**Article 5  Key Processes**

1. The ICS implements preventive and detective controls (manual and automated), taking into account their cost/benefit ratio. Such controls are then introduced and optimised through key or significant EPFL processes. Key processes shall be taken to mean those processes whose malfunctioning might prevent or significantly impair meeting the objectives listed in Art. 4 above.

2. An inventory of key processes covered or dealt with by the ICS shall be kept up-to-date by the SCI Coordinator.

**Article 6  Documentation**

The ICS documentation for key processes shall be kept up-to-date by Process Managers and centralised by the SCI Coordinator in an Electronic Document Management system. This documentation shall comprise:

a. a progress diagram formalising the functioning of the process;

b. a matrix formalising key risks and controls, as well as action plans to be implemented should control (efficiency and traceability) shortcomings be observed.

**Article 7  Assessment**

1. ICS assessment shall be initiated by the SCI Coordinator. This includes:

   a. annual assessment of the control environment by the CSCI;
   b. annual self-assessment by the Process Managers of ICS adequacy for key processes, in cooperation with the SCI Coordinator;
   c. annual review by the SCI Coordinator to ensure that the ICS documentation is up-to-date;
   d. confirmation once a year by the Control Managers that key controls have been performed as set out in the ICS documentation;
   e. continuous follow-up by the SCI Coordinator, of improvement measures implemented by Process Managers.

2. Assessment results shall be the subject of an annual report including key controls, to be submitted to the CSCI and to the EPFL Risk Management Committee.
Article 8    Entry into force

¹ This Directive entered into force on 20 August 2010, current status as at 3rd September 2018.

On behalf of the EPFL Direction:

Martin Vetterli
President

Susan Killias
General Counsel