



FIG Internal Audit Charter

Purpose and Mission

The purpose of the Internal Audit section is to provide an independent, objective assurance and consulting services designed to add value and improve the operations of the Falkland Islands Government (FIG). The Internal Audit section helps FIG accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The mission of Internal Audit is:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards for the Professional Practice of Internal Auditing

The Internal Audit section will govern itself by adherence to The Institute of Internal Auditors' (IIA) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards) and Information Systems Audit and Control Association Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of the Internal Audit section's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Internal Audit section will adhere to FIG's relevant policies and procedures and the Internal Audit section's standard operating procedures manual.

The Chief Internal Auditor will report periodically and at least annually to the Audit and Risk Assurance Group (ARAG), Corporate Management Team (CMT) and Executive Council (ExCo) regarding the Internal Audit section's conformance to the Code of Ethics and the Standards.

Authority

To establish, maintain, and assure that FIG's Internal Audit section has sufficient authority to fulfil its duties, ExCo will approve the Internal Audit section's charter and ARAG (on behalf of CMT) will:

- Approve the risk-based Internal Audit plan.
- Receive communications from the Chief Internal Auditor on the Internal Audit section's performance relative to its plan and other matters.

The Internal Audit section, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are expected to assist the Internal Audit section in fulfilling its roles and responsibilities. The Internal Audit section will also have free and unrestricted access to CMT.

Organisation

The Internal Audit section is established by the CMT. The Internal Audit section's responsibilities are defined by CMT as part of their oversight role.

The Chief Internal Auditor will report functionally to ARAG and administratively to the Financial Secretary.

The Chief Internal Auditor will communicate and interact directly with ARAG and CMT, including between meetings as appropriate.

All Internal Audit reports will be delivered to the Public Accounts Committee (PAC).

To discharge his/her responsibilities effectively, the Chief Internal Auditor will have free and unfettered access to the Chief Executive and the ARAG Chair.

Independence and objectivity

The Internal Audit section will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. All members of the Internal Audit team are required to complete (at least annually) a "declaration of interests" form (including nil returns). Internal Auditors will be rotated on repeat assignments at least every three years or the reason for non-rotation will be documented. If the Chief Internal Auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the appropriate parties.

Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop

procedures, install systems, prepare records, or engage in any other section that may impair an Internal Auditor's judgment. Internal Auditors will not audit any areas for which they have provided consulting and advisory services. They will not direct the activities of any FIG employee not employed by the Internal Audit section, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the section or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Internal Auditor will disclose to ARAG, CMT, ExCo and /or PAC any interference and related implications in determining the scope of Internal Auditing, performing work, and/or communicating results.

The Chief Internal Auditor will confirm to ARAG, CMT and ExCo, at least annually, the organisational independence of the Internal Audit section.

Scope of Internal Audit Activities

The scope of Internal Auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of FIG's strategic objectives are appropriately identified and managed.
- The actions of FIG's officers, directors, employees, and contractors are in compliance with FIG's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact FIG.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Internal Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific

operations at the request of CMT or management, as appropriate. Internal Audit may also conduct consulting or assurance engagements on behalf of Falkland Island statutory corporations or other external organisations where resources allow and where there is no conflict of interest. Each engagement will be documented to ensure roles and responsibilities, reporting lines and ownership of records and outputs is clear.

Internal Audit may, when requested, provide direct assistance to the PAC in their value for money reviews in line with conditions laid out in a Memorandum of Understanding between the PAC and FIG.

It also assists the PAC in evaluating the quality of performance of FIG's external auditors and maintains a proper degree of coordination with external audit.

Internal Audit will also undertake preliminary investigations in line with the organisation's anti-fraud and anti-corruption strategy.

Internal Audit plan

The Chief Internal Auditor has the responsibility to:

- Submit, at least annually, to senior management, ARAG and CMT a risk-based Internal Audit plan for review and approval, including risk assessment criteria.
- Communicate to senior management, CMT, ARAG and ExCo the impact of resource limitations on the Internal Audit plan.
- Review and adjust the Internal Audit plan, as necessary, in response to changes in FIG's business, risks, operations, programs, systems, and controls.
- Communicate to senior management, CMT, ARAG and ExCo any significant interim changes to the Internal Audit plan.
- Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and ARAG/CMT/ExCo any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit section collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit charter.
- Ensure trends and emerging issues that could impact FIG are considered and communicated to senior management, CMT and ARAG as appropriate.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within FIG to aid the prevention and detection of fraud.
- Ensure emerging trends and successful practices in Internal Auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit section.

- Ensure adherence to FIG's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and ARAG/CMT/ExCo.
- Ensure conformance of the Internal Audit section with the IIA Standards.

Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or his designee following the conclusion of each Internal Audit engagement and will be distributed as appropriate. This will provide reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited. All finalised reports will be copied in full to ARAG members and the Public Accounts Committee. Internal Audit results will also be communicated in summary to ARAG, CMT and ExCo.

The Internal Audit report should include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Internal Audit section will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will be monitored and reported to MOG and CMT until cleared.

The Chief Internal Auditor will provide an annual report and opinion on the effectiveness of FIG's Corporate Governance, Risk Management and Internal Control in order to support the Annual Governance Statement.

In addition, the Chief Internal Auditor will report periodically to senior management and ARAG/CMT/ExCo regarding:

- The Internal Audit section's purpose, authority, and responsibility.
- The Internal Audit section's plan and performance relative to its plan.
- The Internal Audit section's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the ARAG/CMT/ExCo.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to FIG.

Quality Assurance and Improvement Programme

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit section. The program will include an evaluation of the Internal Audit section's conformance with the *Definition of Internal Auditing and the Standards* and an evaluation of whether Internal Auditors apply the Code of Ethics. The program also

assesses the efficiency and effectiveness of the Internal Audit section and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to ARAG, CMT and ExCo on the Internal Audit section's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.