



FIG Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Falkland Islands Government.

It assists FIG in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

Role

The internal audit activity is established by the Corporate Management Team (CMT). The internal audit activity's responsibilities are defined by CMT as part of their oversight role.

Professionalism

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' 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 activity'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 activity will adhere to FIG's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Authority

The internal audit activity, 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 activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to CMT.

Organisation

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

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

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

Independence and objectivity

The internal audit activity 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.

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 activity that may impair an internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity 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 confirm to CMT, at least annually, the organisational independence of the internal audit activity.

Responsibility

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 control objectives considered by internal audit include:

- Consistency of operations or programs with established objectives and goals and effective performance.
- Effectiveness and efficiency of operations and employment of resources.

- Compliance with significant policies, plans, procedures, laws, and regulations.
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information.
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes ('audit universe') of the entity including governance processes and risk management processes. It also assists the Public Accounts Committee in evaluating the quality of performance of external auditors and maintains proper degree of coordination with external audit.

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 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.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to Senior Management, including fraud risks, governance issues, and other matters needed or requested by CMT.

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

Internal audit plan

At least annually, the Chief Internal Auditor will submit to CMT an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next fiscal year. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and CMT. Prior to submission to CMT for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated in

summary to CMT, and all finalised reports will be copied in full to the Financial Secretary and the Public Accounts Committee.

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 activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

In addition the following documents will be presented to the Standing Finance Committee, along with any other reports highlighting governance concerns:

- Internal audit plan
- 6 monthly progress report
- Annual progress report
- Chief Internal Auditors annual opinion

Periodic assessment

The Chief Internal Auditor is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Chief Internal Auditor will communicate to senior management on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and assessments by external audit conducted at least every five years.