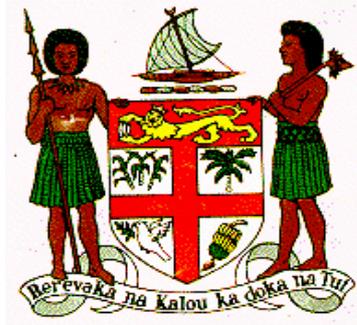


GOVERNMENT OF THE REPUBLIC OF FIJI



INTERNAL AUDIT (IA) CHARTER 2024 to 2027

Ministry of Finance

Ro Lalabalavu House
Suva

Internal Audit Charter

INTERNAL AUDIT CHARTER AUTHORISATION

Version 3.1

RESPONSIBILITY	APPROVED
 Permanent Secretary responsible for Finance Date: 12/03/2024	 Minister responsible for Finance Date: 12/3/24

The IA Charter will be reviewed and approved as per the review of Charter timeline.

Version History

Number	Comment
1	Original draft version.
1.1	Amended to make compliant with IIA requirements and best practice.
2	Amended for feedback from Emosi Dovibua and Tomasi Raqina.
2.1	Amended based on discussion with Emosi Dovibua, Ana Waqanisau, Luse Mulo, Anurag Shandil and Ashneel Krishn Prasad.
3	SG Review - IAF Charter 13.07.23
3.1	SG Reviewed Comments Updated

Forward

As required under section 64B of the FMA the purpose of this Charter is to set out;

- (i) the standards and procedures consistent with international standards and procedures for the professional practice of internal audit; and*
- (ii) the functions and powers of internal auditors.*

To ensure that audit is conducted to determine whether the financial affairs, operations and activities of a department are being performed economically, effectively and efficiently, in compliance with all relevant written laws and with due regard to the principles of responsible fiscal management

The IA Charter is designed with ease of understanding and references the requirements of the FMA in relation to internal audit.

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List of Abbreviations and Definitions

Abbreviation	Definition
BSA	means a "Budget Sector Agency" as defined under section 2 of the FMA.
CAE	means "Chief Audit Executive" as the Head of Internal Audit most senior public official responsible for Internal Audit at the Ministry of Finance.
FICAC	means the Fiji Independent Commission Against Corruption.
FMA	means the Financial Management Act 2004 and includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements.
FRCS	means the Fiji Revenue and Customs Services as established under section 2 of the Fiji Revenue and Customs Services Act 1998.
GOF	means the Government of the Republic of Fiji.
IAC	"Internal Audit Committee" means the Audit Committee established as per the FMA and Audit Committee Charter.
IAF	"Internal Audit Function means the Audit Division at the Ministry of Finance. Currently named Internal Audit and Good Governance Division.
IPPF	means the most current publication of the Institute of Internal Auditors International Professional Practice Framework (Standards).
MOF	"Ministry" means the Ministry of Finance or the Ministry responsible for Finance.
MOU	means "Memorandum of Understanding" which sets out the broad outlines of an agreement that IA has with another organisation.
OAG	refers to the "Office of the Auditor General" which undertakes financial audit of all public accounts in respect of all public offices in accordance with laws which govern them.
PS-F	refers to Permanent Secretary responsible for finance.
	"internal auditor" means a person who conducts an internal audit of an entity by gathering relevant and objective information in relation to the entity and independently and objectively evaluating the operations of the entity.
	"Internal Control" means any process, effected by management and other personnel, designed to manage risk, and increase the likelihood that established objectives and goals will be achieved
	"Management" means senior and middle level management of an entity responsible for internal control.
	"public money" means all money received by or on behalf of the Government, including the proceeds of all loans raised on behalf of the Government, State revenue and any other money that the Minister or the permanent secretary

responsible for finance directs to be paid into any bank account held by the Government, but does not include trust money.

"Public Officer" means any paid or contracted employee of a government entity as defined by the FMA and the Civil Service Act 1999.

1. Introduction

The IA Charter is a formal document that defines the IAF's purpose, authority, and responsibility. This Charter is applicable to the IAF for all BSA covered by the FMA except where specifically excluded by legislation. The Charter is approved by the PSRF.

2. Purpose of IAF and definition of Internal Audit

The purpose of the IAF is to provide independent, objective assurance and advisory services designed to add value and improve GOF operations.

As per the FMA definitions, an *“internal auditor” means a person who conducts an internal audit of an entity by gathering relevant and objective information in relation to the entity and independently and objectively evaluating the operations of the entity.*¹

*The Permanent Secretary responsible for finance must ensure that internal audit is conducted to determine whether the financial affairs, operations and activities of a department are being performed economically, effectively, and efficiently, in compliance with all relevant written laws and with due regard to the principles of responsible fiscal management.*²

3. Mission of the IAF

The mission of the IAF is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IAF helps the GOF accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

4. Authority

4.1 Legislation

IAF activities and authorization are governed by Part 9A of the FMA and Instruction 72 of the Finance Instruction 2010. These requirements are referenced in this document where applicable.

4.2 No Authority or Responsibility

In performing its function, the IAF has neither responsibility nor authority over any of the activities below:

- Performing any operational duties for the government entities audited.
- Initiating or approving accounting transactions external to IAF's administration.
- Directing the activities of public officers except where they have been appropriately assigned to assist the IAF.
- Conducting any activities which could compromise the independence of the function as determined by the CAE.

¹ Section 2 of the FMA

² Section 64A of the FMA

5. Confidentiality

Staff of the IAF must maintain confidentiality in accordance with legislation and professional integrity requirements.

All IAF reports, working papers and evidence must be kept confidential except to that extent as they are required to be released by law and this Charter. The CAE will determine the disclosure and dissemination of information in accordance with the legislation, respective Charters and the IPPF.

6. Standards

The IAF will govern itself by adherence to the acceptable elements of the Institute of Internal Auditors' International Professional Practices Framework (the IPPF), including:

- the Core Principles for the Professional Practice of Internal Auditing,
- the Code of Ethics,
- the International Standards for the Professional Practice of Internal Auditing, and
- the Definition of Internal Auditing.

The CAE will report periodically to senior management and the IAC (when established) regarding the IAF's conformance to the Code of Ethics and the Standards.

7. Independence

Independence is essential to the effectiveness of the IAF. The IAF must be objective, impartial and avoid conflicts of interest. IAF will report functionally to the IAC (when established) and administratively (i.e. day to day operations) to PS-F.

The CAE will ensure that the IAF remains free from all conditions that threaten the ability of staff of the IAF to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, report content and communicating results. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the IAC (when established) and PS-F.

Staff of the IAF will have no direct operational responsibility or authority over any of the activities audited. Accordingly, staff of the IAF will not implement internal controls, develop procedures, install systems (but should be consulted), prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had previously been responsible or part of.
- Performing any operational duties for GOF or its affiliates.
- Initiating or approving transactions external to the IAF.
- Directing the activities of any GOF employee not employed by the IAF, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist staff of the IAF.

Staff of the IAF will:

- Maintain an impartial, unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not compromise their judgment on audit matters.
- Disclose any impairment of independence or objectivity, in fact or appearance, to the CAE.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest or being unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the IAC (when established) at least annually, the organizational independence of the IAF. The CAE will disclose to the IAC (when established) any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

8. Annual Audit Plan

The CAE must prepare a risk based Annual Audit plan in liaison with the PS-F and IAC (when established) on at least an annual basis. The plan will be based on the IAF's risk assessment and audit universe of the whole of government. The plan provides information about the risk assessment, the current order of priority of audit projects, how they are to be carried out, and budget and resource requirements.

The Risk Based Annual Audit Plan must be presented to the PS-F and the IAC (when established) prior to approval by the PS-F. The CAE will communicate the impact of resource limitations and any significant changes in audit plans to the PS-F and IAC (when established).

The CAE will review and adjust the plan, as necessary, in response to changes in the GOF's business, risks, operations, programs, systems and controls and any significant deviation from the approved Risk Based Annual Audit Plan will be communicated to the PS-F and the IAC (when established) through periodic activity reports. IAF will exercise its audit engagement on its own initiative in all BSA as per the approved Risk Based Annual Audit Plan.

9. Scope

All BSA are included in the Scope of IAF.³ The Permanent Secretary responsible for finance must not authorise the audit of an independent office unless the audit has been requested in writing by the responsible authority for the independent office.⁴

³Part 9A — Section 6A-(2) of the FMA

⁴ Part 9A — Section 64(A)(6) of the FMA

The scope of IAF activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the IAC (when established) and management on the adequacy and effectiveness of governance, risk management, and control processes for GOF. IAF assessments may include evaluating whether:

- Risks relating to the achievement of GOF's strategic objectives are appropriately identified and managed.
- The actions of GOF's officers, directors, employees, and contractors are compliant with GOF'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 policies, procedures, laws, and regulations.
- 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.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Section 6A-(3) of the FMA provides that PS-F may authorise that—

- (a) a special audit is conducted to determine whether the financial affairs, operations and activities of a budget sector agency or an off-budget State entity are being performed in compliance with all relevant written laws and with due regard to the principles of responsible fiscal management; and
- (b) an audit of the accounts of any recipient of a government grant is conducted to the extent necessary to ensure that any condition of the grant has been complied with.

The CAE will coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers as needed.

The IAF may perform advisory and related client service activities. The nature and scope of these activities will be agreed with the client, provided the IAF does not assume management responsibility.

10. Access to documents

The Permanent Secretaries of the BSAs must give full, free, and unrestricted access to all necessary functions, property, assets, records, personnel, returns and other documentation and information to staff of the IAF. In the event of a dispute, the permanent secretary responsible for finance will deem if the information is necessary to conduct the audits under subsections (1), (2) and (3) of the Finance Management

(Amendment) Act 2021.⁵ This is subject to accountability for confidentiality and safeguarding of records and information.

The access provided will ensure IAF engagements approved in the Annual Audit Plan to be conducted successfully.

11. Accountability & Reporting

IAF shall be expected to carry out the following responsibilities:

- Submit a risk based Annual Audit Plan to PS-F and the IAC (when established) for approval.
- Communicate to management and the IAC (when established) the impact of resource limitations on the Annual Audit plan.
- Review and adjust the Annual Audit Plan, as necessary, in response to changes in GOF's business, risks, operations, programs, systems, controls, staffing issues, and resource issues.
- Communicate to management and the IAC (when established) any significant interim changes to the Annual Audit Plan.
- Ensure each engagement in the Annual Audit Plan is executed, including the:
 - establishment of objectives and scope,
 - assignment of appropriate and adequately supervised resources,
 - documentation of work programs and testing results, and
 - communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to management and the IAC (when established) any corrective actions not effectively implemented.
- Report any response to risk by management that may be unacceptable to GOF and IAC (when established).
- Identify and report significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the IAC (when established).
- Submit an Annual Report to the PS-F and the IAC (when established) for approval (once established) on the overall state of internal controls in the GOF and any systemic issues requiring management attention, based on the work of the IAF and other assurance providers.
- Report to the PS-F or IAC (when established) on performance of the IAF including whether the audits scheduled in the Annual Audit Plan have been completed and if not, the reasons for non-compliance.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure trends and emerging issues that could impact GOF are considered and communicated to management and the IAC (when established) as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the IAF, including conformance with the IIA's Code of Ethics and Standards, and

⁵ Part 9A — Section 64(A) (5 to conduct the audits under subsections (1), (2) and (3) of the FMA.

- action plans to address any significant conformance issues. Report compliance to the IAC (when established).
- Ensure adherence to GOF's relevant policies and procedures, unless such policies and procedures conflict with the IAF's charter. Any such conflicts will be resolved or otherwise communicated to management and the IAC (when established).
 - Ensure conformance of the IAF with the International Professional Practice Framework (IPPF) Standards to the IAC (when established).

12. Internal Audit Committee (IAC)

The composition of the IAC is in accordance with section 64C the FMA⁶ with the Internal Audit Committee Charter outlining the standard, procedure, function, composition, and powers of the committee.

The composition, membership and specific functions and powers of the IAC is determined by the Minister.

IAF will provide secretarial support to the IAC and provide audit reports in a timely manner to the IAC for their deliberations.

The CAE will have unrestricted access to, and communicate and interact directly with the IAC, including in private meetings without management present.

13. Authority

The CAE will report functionally to the IAC (when established) and administratively (i.e., day-to-day operations) to the PS-F. To establish, maintain, and assure that the IAF has sufficient authority to fulfil its duties, the IAC (when established) may:

- Review the activities, resources and organisational structure of the IAF and ensure there are no unjustified restrictions or limitations.
- Review the strategic plans of the IAF, detailing the vision, mission, and improvement strategies of the IAF.
- Provide feedback on the annual audit plan and monitor the performance of the IAF against the annual audit plan.
- Provide feedback on the IAF's Annual Report.
- View all final IAF reports, providing comments/feedback to the IAF, providing advice to the PS-F on major concerns identified in those reports, and recommending action on significant matters raised. This includes identification and dissemination of information on good practice.
- Ensure that significant findings and recommendations made by the IAF, and management's proposed response are discussed and appropriately acted on by management.
- Review the effectiveness of the IAF and ensure that it has appropriate standing.
- Ensure that the IAF has a quality assurance and improvement program and that the results of these periodic assessments are presented to the IAC.
- Ensure that the IAF has an external quality assurance review every five years.

⁶ Part 9A – Section 64C – (1) of the FMA

- Review the results of the independent external quality assurance review and monitor the implementation of the IAF's plans to address any recommendations from the review.

14. Administrative Arrangements

The CAE shall:

- Prepare and administer the IAF budget, resource requirements, work plan and staffing for the IAF.
- Facilitate recruitment and manage IAF staff to ensure IAF has professional audit staff with sufficient knowledge, skills, experience, and qualifications.
- Establish a quality assurance & improvement program to ensure IAF audits are conducted in accordance with IIA IPPF.
- Facilitate the review of the IAF legislation.
- Engage in the consultation and assessments of the IAF.
- Facilitate requests for the engagement of consultants to conduct training or specific training to be conducted.
- Implement training and development for staff of the IAF as required.

15. External & Key Stakeholders Relationships

15.1 Relationship with External Auditors

IAF must maintain a cooperative and professional relationship with the OAG to:

- Discuss matters of mutual interest in ensuring adequate audit coverage and minimising duplication of effort.
- To decrease the risk of overlapping work, enable appropriate sharing of information relating to audits including annual work plans, scope, timing, resourcing, fraud risk and reporting.
- Cooperate on professional development initiatives and opportunities.

15.2 Relationship with Key Stakeholders

IAF must maintain relationship with key stakeholders as follows:

- BSA - assist in the identification of areas of concern, identification of risks, provide requested supporting documentation for audits, provide IAF reports management comments, and implement IAF audit report recommendations.
- Fiji Police Force - carry out criminal investigation on fraudulent issues highlighted in the IAF's audit reports.
- FICAC - carry out investigation on corruption related matters highlighted in the IAF's audit reports.
- FRCS - help through sharing of information to assist audit.

16. Quality Assurance and Improvement Program

The IAF will maintain a quality assurance and improvement program that covers all aspects of the IAF's activity. The program will include an evaluation of the IAF's conformance with the definition of internal auditing and standards and an evaluation of whether staff of the IAF apply the Code of Ethics of the IIA Standards. The program also assesses the efficiency and effectiveness of the IAF and identifies opportunities for improvement.

CAE will communicate to the PS-F and IAC of the IAF's quality assurance and improvement program, including results of ongoing internal assessment and external assessments conducted as and when required.

17. Safeguard

If CAE or IAF management are expected to have roles and/or responsibilities that fall outside of the role of an internal auditor, safeguards must be in place to limit impairments to independence or objectivity as per the requirements of the IIA IPPF section 1112. They may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organisational independence of the IAF or the individual objectivity of the staff of the IAF.

Safeguards include the PS-F and/or IAC overseeing and approving these activities and developing strategies to address these potential impairments. The strategies may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility where there is a potential conflict.

18. Review of Charter

The Charter will be reviewed annually. Any substantive changes will be formally approved by the Minister and PS-F.