



Internal Audit

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Table of Acronyms

IAA	Internal Audit Activity
IIA	Institute of Internal Audit
RDA	Recovery and Development Agency
RDP	Recovery to Development Plan
VfM	Value for Money

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1.1 Purpose and Mission

The purpose of the Virgin Islands Recovery and Development Agency's internal audit activity (IAA) is to provide independent, objective assurance focused on improving performance, delivering an efficient and effective organization that is continually learning and improving. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IAA helps RDA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

IAA should provide the early warning to management of the Agency and members of the RDA Board to ensure that the structure and function of the RDA remains current and purposeful. It should not be a retrospective process but an active component of the strategic management of the RDA.

1.1.1 Continuous Improvement

The RDA is a learning organization that needs to be agile to changing needs whilst maintaining momentum and effectiveness. This can only be managed through a Continuous Improvement-centred culture. Internal Audit provides a critical function in every stage of the Continuous Improvement Cycle:

- **Identify:** Provide the independent view of the RDA activities and feed into the start of the cycle.
- **Plan:** Support the planning of the response to identified issues providing an independent voice to the effectiveness of the plan.
- **Execute:** Monitor the execution of the planned response.
- **Review:** Ensure that the execution has delivered the desired effect, reporting on its effectiveness.

The Internal Auditor must maintain a team-based ethos in their approach to IAA. It is critical that they view themselves as part of the RDA team providing advice on errors but more fundamentally providing support to "how we can do better".

1.2 Standards for the Professional Practice of Internal Auditing

Internal audit activity should be governed by the Institute of Internal Auditors' International Professional Practices Framework, 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 RDA Internal Auditor will report to senior management and the audit and risk committee regarding the IAA's adherence to the Code of Ethics and the Standards.

1.3 Authority

The RDA Internal Auditor works under the authority of the RDA Board and to the Audit and Risk Committee. The Internal Auditor is administered by the Agency under the direction of the Chief Executive Officer. The internal auditor will provide the secretariat for the Audit and Risk Committee to ensure that the auditor is able to perform their duties on behalf of the Board. The Audit and Risk Committee will support the Internal Auditor in their function by ensuring the IAA is able to:

- Have unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of RDA, as well as other specialized services from within or outside RDA, in order to complete the engagement.

To enable this the Internal Auditor should present to the Audit and Risk Committee for approval:

- The risk-based internal audit plan.
- The IAA 12-month audit schedule.

1.4 Independence and Objectivity

The Internal Auditor will ensure that the IAA remains free from all conditions that threaten their ability to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Auditor determines that independence or objectivity may be compromised in fact or appearance, the details must be reported immediately to the Chair of the Audit and Risk Committee.

It is imperative that all IAA is conducted with an unbiased mental attitude that supports objectivity in order to ensure that the Audit and Risk Committee has confidence in the Internal Auditors product. There should be no compromise of quality or subordination of judgment on audit matters.

The Internal Auditor will have no direct operational responsibility or authority over any of the Agencies activities. A critical condition to maintain the independence of the internal Auditor is that they perform no role outside of those directly related to the IAA. If through necessity¹ the Internal Auditor is expected to have roles and/or responsibilities outside of internal auditing, then the Audit and Risk Committee must be consulted, and appropriate safeguards established to limit impairments to independence or objectivity.

The Internal Auditor must:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the Audit and Risk Committee.
- 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 being unduly influenced by their own interests or by others in forming judgments.

¹ Such as enacting the disaster management plan.

- Confirm to the Audit and Risk Committee on request and annually, the organizational independence of the IAA.
- Disclose to the Audit and Risk Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

1.5 Scope of Internal Audit Activities

The scope of IAA encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit and Risk Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for RDA. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of RDA’s strategic objectives are appropriately identified and managed.
- The actions of RDA’s officers, directors, employees, and contractors follow RDA’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 RDA.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Value for money (VfM) is a primary driver behind the acquisition and management of assets.

1.5.1 Reporting

The Internal Auditor will provide the secretariat for the Audit and Risk Committee and will report to the committee Chair on all matters relating to this document.

The Internal Auditor will formally report quarterly to the Audit and Risk Committee. This report should provide a detail of the performance of the Agency against the IAA 12-month audit schedule and should contain:

- The IAA’s plan and performance relative to the plan.
- The IAA’s conformance with the Institute of Internal Auditors 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 the Audit and Risk Committee.
- Results of audit engagements or other activities.
- Resource requirements.

- Any response to risk by management that may be unacceptable to RDA.
- Opportunities for improving the efficiency of governance, risk management, and control processes.

The Internal Auditor may if the need arises and with the approval of the Board coordinate activities of providers of internal and external assurance and consulting service providers. The IAA may perform advisory and related service activities, the nature and scope of which will be agreed with the Agency senior management, provided the IAA does not assume management responsibility.

If required the Internal Auditor may provide more frequent reports to the Board, Audit and Risk Committee and Agency however the formal quarterly reporting cannot be substituted by smaller and more frequent reports.

1.5.2 Responsibility

The Internal Auditor has the responsibility to:

- Submit to the Audit and Risk Committee a risk-based internal audit plan for review and approval (the IAA 12-month audit schedule).
- Communicate to the Audit and Risk Committee the impact of resource limitations on the internal audit plan.
- Communicate the IAA 12-month audit schedule to Agency senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in RDA's business processes and structure.
- Communicate any significant changes to the internal audit plan.
- Deliver the internal audit plan and communicate the results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report to Agency senior management and the Audit and Risk Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IAA collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this document.
- Ensure trends and emerging issues that could impact the RDA are considered and communicated to Agency senior management and the Audit and Risk Committee in a timely manner to ensure effective response.
- Maintain a modern and current approach to IAA.
- Establish and ensure adherence to policies and procedures designed to guide the IAA.
- Ensure adherence to RDA's relevant policies and procedures, unless such policies and procedures conflict with this charter.
- Ensure conformance of the IAA with the Standards, with the following qualifications:

- If the IAA is prohibited by law or regulation from conformance with certain parts of the Standards, the Internal Auditor will ensure appropriate disclosures.
- If the Standards are used in conjunction with requirements issued by other donors, the Internal Auditor will ensure that the IAA conforms with the Standards as well as the IAA of that donor. Where a conflict occurs advice will be sought from the Audit and Risk Committee and approved by the Board. In general, the most restrictive requirement will be adopted.

1.5.3 External Audit

The Internal Auditor will manage the External Auditor to ensure the timely and accurate reporting of RDA accounts. It will be the Internal Auditors responsibility to ensure that the External Auditor is provided with unrestricted access to the necessary information for conducting their assessments.

The Internal Auditor will use their familiarity with the RDA to support the External Auditor in ensuring that all external audits are objective, accurate and timely.

1.6 Quality Assurance

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the IAA. The program will include an evaluation of the IAA's conformance with the Standards and an evaluation of adherence to the Institution of Internal Auditors' Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

