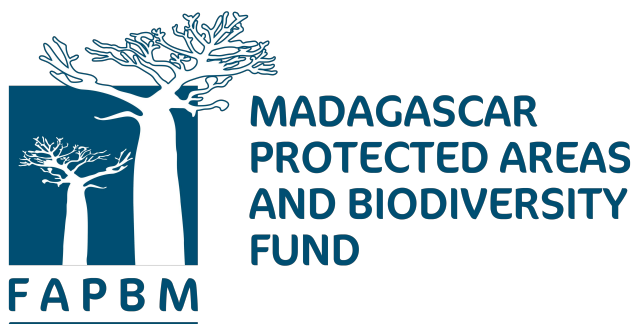




MADAGASCAR  
PROTECTED AREAS  
AND BIODIVERSITY  
FUND

# Internal audit charter

INVESTIR POUR UNE NATURE QUI NOUS PROTÈGE  
INVESTING IN NATURE THAT PROTECTS US



## INTERNAL AUDIT CHARTER

### MADAGASCAR PROTECTED AREA and BIODIVERSITY FUND

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Validation date :
Signature
Sahondra Rajoelina
Effective date: March, 02nd 2020



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## I. Introduction:

This charter officially defines the missions, powers and responsibilities of the Internal Audit within FAPBM. The rights and duties of auditors and auditees are also specified in order to guarantee compliance with the ethical, deontological and organizational rules applicable within FAPBM. This internal audit charter refers to the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for Internal Auditors published by the Institute of Internal Auditors (IIA)<sup>1</sup>.

## II. Definition:

The IIA defines the internal audit as «an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It assists the organization in achieving its objectives by assessing, through a systematic and disciplined approach, its risk management, control, and governance processes and by making recommendations to improve their effectiveness.

## III. Code of Ethics :

The Code of Ethics applies to individuals and entities that provide Internal Audit services. Its purpose is to promote a culture of ethics within the profession. The Code of Ethics includes both fundamental principles and rules of conduct.

Internal auditors conduct their engagements in accordance with and in compliance with the following fundamental principles and rules of conduct:

### **Integrity:**

The integrity of the internal auditors is the basis for trust and credibility in their judgment.

- They must perform their assignments with honesty, diligence, and responsibility;
- They must comply with the law and make disclosures as required by the laws and the rules of the profession;
- They shall not knowingly engage in illegal activities or engage in acts that bring discredit to the Internal Auditing profession or to FAPBM;
- They must respect and contribute to the ethical and legitimate objectives of FAPBM.

### **Objectivity:**

- Internal auditors exhibit the highest degree of professional objectivity in gathering, evaluating, and communicating information about the activity or process under review. Internal auditors fairly evaluate all relevant matters and are not influenced in their judgments by their own interests or those of the others.
- They shall not engage in activities or establish relationships that might compromise or risk compromising the impartiality of their judgment. This principle also applies to activities or business relationships that might conflict with the interests of FAPBM;
- They must not accept anything that would compromise or risk compromising their professional judgment;
- They must disclose all material facts of which they are aware and which, if not disclosed, would distort the reporting of the activities under review.

### **Confidentiality:**

Internal auditors respect the value and ownership of the information they receive. They do not disclose such information unless a legal or professional obligation requires them to do so.

- They must exercise care in the use and protection of information collected in the course of their activities;
- They shall not use these informations for personal gain, or in a manner that would violate legal provisions or be detrimental to the ethical and legitimate objectives of FAPBM.

<sup>1</sup> Standard 1000: «The internal audit activity's mission, authority, and responsibilities must be formally defined in an internal audit charter and be consistent with the definition of the internal auditing, the Code of Ethics, and the Standards

**Skills :**

Internal auditors use and apply the knowledge, the know-how and experience required to carry out their work.

- They must only engage in work for which they have the necessary knowledge, know-how and experience;
- They must perform their internal audit work in accordance with International Standards for Professional Practice;
- They should always strive to continuously improve their skills, efficiency and the quality of their work.

**IV. Role and Responsibilities :**

The main objective of the Internal Audit is to provide reasonable assurance on the effectiveness of the arrangements in place within FAPBM, including the system of internal control, governance and risk management. Through its proposals, the Internal Audit contributes to improving the security and optimizing the overall performance of FAPBM.

The internal audit function evaluates the system and processes; it does not replace FAPBM's Executive Management in its responsibility for governance and control.

The missions of the internal auditor allow in particular to:

- Identify and control risks through a structured approach focused on the challenges of FAPBM and its businesses;
- Evaluate the adequacy and effectiveness of these processes with respect to their compliance with applicable rules, standards, procedures, laws and regulations;
- Evaluate the control of operational and functional processes as well as the realization of operations with regard to the Foundation's strategic, operational and financial concerns;
- Verify the integrity, reliability, completeness and traceability of accounting, financial and management information;
- Suggest areas for improvement or progress for the Foundation;
- Participate, if necessary, in certain consulting missions requested by the Executive Management or the Audit Committee in accordance with CRIPP<sup>2</sup> standards

**V. Reporting and Organization of the Internal Audit :**

The independence of Internal Audit is ensured by its freedom from constraints that could bias its judgments. On one hand, «it must not be subject to any interference in defining his field of intervention, in carrying out the work and in communicating<sup>3</sup> the results . And on the other hand, it refrains from engaging in activities that it is or will be responsible for reviewing<sup>4</sup> . In order to guarantee this independence, the Head of Internal Audit reports administratively to the Executive Director of FAPBM<sup>5</sup> . In functional terms, he/she reports directly to the Audit Committee<sup>6</sup> , by copying the message contents to the Executive Director. In addition, Internal Auditors may not suffer any career or other prejudice as a result of opinions or views they may express as part of their duties.

The Internal Audit Officer reports annually to the Executive Management and the Audit Committee on the overall level of the control of the operations and on significant issues identified in the governance, risk management and internal control processes of the Foundation and of the beneficiary entities or on potential improvements of these processes. He/she provides them with the information on the degree of the implementation

2 CRIPP: International Reference Framework for the Professional Practice of Internal Auditing

3 Standard 1110.A1

4 Standard 1130.A1: «Internal auditors should refrain from auditing particular operations for which they were previously responsible. An internal auditor's objectivity is presumed to be impaired when performing an assurance engagement for an activity for which the internal auditor had responsibility during the prior year.»

5 Standard 1110: «The chief audit executive must report to an appropriate level within the organization to enable the internal audit activity to carry out its responsibilities. The chief audit executive must confirm to the board, at least annually, the independence of the internal audit activity within the organization.

6 Standard 1111: «The chief audit executive must be able to communicate and interact directly with the board



and the results of the validated audit plan as well as on the adequacy of the resources which is granted to him. He/she may, at his request, meet freely with the members of the Audit Committee.

The functional relationships involve, among other things, that the Audit Committee :

- Approves the Internal Audit Charter;
- Approves the audit plan based on the risk-based approach;
- Approve the Internal Audit budget and resource forecasts;
- Approves the decisions relating to the appointment and the dismissal of the Head of the Internal Audit;
- Requests relevant informations from the Executive Director and the Internal Audit Officer to determine the adequacy of the scope and resources of the Internal Audit;
- Receives semi-annual and annual audit reports.

## **VI. Scope of the internal audit :**

The Internal Audit Department is authorized to intervene in all the structures of FAPBM and the beneficiary entities of the funds. To ensure the proper execution of its mission and in accordance with its independence, it intervenes on the basis of an audit plan validated by the Audit Committee. Its scope of intervention includes all administrative, accounting and financial, functional or operational areas or processes within the limits of its functions.

The Internal Audit must coordinate its work with that of the External Auditors, Statutory Auditors and other inspectors. It may rely on the work of the latter and plan its reviews and investigations<sup>7</sup> accordingly.

The Internal Audit may also be required to carry out specific missions or other unplanned investigations at the request of the Executive Management or the Audit Committee.

The internal audit team is not authorized to carry out operational tasks for the Foundation or its partners.

## **VII. Cooperation with the auditees:**

The manager and the internal audit team have unrestricted access to all informations, documents, software and physical properties necessary to carry out their duties.

Thus, any staff member of FAPBM and the beneficiary entities who may be audited, regardless of his or her rank and hierarchical position, must cooperate with the internal auditors and respond to all their requests for assistance that are directly or indirectly related to the performance of their missions.

Documents and information entrusted to the internal auditors will be treated with the required level of confidentiality and integrity.

The Management of FAPBM and its partners must immediately inform the Internal Audit of any fraud, irregularities or material failures related to the internal control and risk management system of which they are aware.

## **VIII. Conducting an internal audit assignment :**

An audit plan setting out the assignments to be carried out, drawn up by the Head of Internal Audit, is validated by the Audit Committee. It is based on the Internal Auditor's own risk analysis.

An audit assignment is carried out in several phases:

- ▷ An engagement letter is established before any intervention. This letter is addressed to the Head of the audited entity. It defines the framework of the mission and specifies the elements necessary for a mutual understanding between the internal audit team and the audited entities (purpose,

<sup>7</sup> Standard 2050: «To ensure adequate coverage and to avoid duplication, the chief audit executive should share information and coordinate activities with other internal and external assurance and consulting providers.»



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framework, date and duration of the mission...);

- ▷ Prior to any field visit, a preparatory phase allows for the research and collection of information and knowledge of the field or the audited entity based on interviews and documentary analysis;
- ▷ During the verification and analysis phase, the internal audit team identifies the strengths and weaknesses of the audited area and conducts a contradictory analysis of the causes and consequences of the identified risks. Throughout its mission, the internal auditor regularly informs the auditees of its findings and diagnosis;
- ▷ The audited entities validate the reports of the interviews conducted by the internal auditors and provide an objective analysis of the internal audit conclusions that concern them;
- ▷ After the intervention is completed, the head of the mission prepares a report<sup>8</sup> reporting on the situation observed and the proposals of improvement. A draft version of the report is analyzed with the auditees, who provide their comments before the final report is issued;
- ▷ Following the recommendations established in the audit report, an action plan is defined and decided upon by the Executive Management and the head of the audited entity. This plan defines the means by which the recommendations issued and accepted will be implemented by the identified responsables;
- ▷ The Internal Audit Manager shall ensure the implementation of the recommendations by inquiring about the status of the action plans.

This Charter was approved by the Audit Committee of FAPBM on January, 24th 2020.

On.....
Signature of the President of the Audit Committee

<sup>8</sup> Standard 2410: «Communication should include the objectives and scope of the engagement, as well as the findings, recommendations, and action plans.»