

# Internal Audit Charter

**This Internal Audit Charter defines BISP Internal audit wing's purpose, authority and responsibility in accordance with the Public Sector & International Internal Audit Standards for approval by the Governing Body (the Audit Committee).**

## **INTRODUCTION**

The following constitute the Internal Audit Charter of the BISP and defines the Internal Audit wing's purpose, authority, and responsibility in accordance with the Public Sector and International Standards for the Professional Practice of Internal Auditing.

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

## **ROLE**

The role of an internal audit is to:

- Provide independent appraisal of all the activities of BISP aiming to add value, improve operational efficiency, risk management and internal control systems.
- Review, appraise and report upon policies, procedures and operations in place in order to help the organisation to:
  - Maintain financial and operational control;
  - Ensure the accuracy of financial reporting;
  - Secure their assets;
  - Limit the potential for fraud and corruption;
  - Ensure security and confidence in MIS; and
  - Comply with, AGP and the organisation's own and applicable local regulations<sup>1</sup>
- Maintain an Internal Audit Manual to support compliance with Internal audit standards.

## **OBJECTIVES AND SCOPE OF WORK**

The prime objective of audit wing is to examine and evaluate whether the BISP's framework of risk management, control, and governance processes, is adequate and functioning properly.

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<sup>1</sup> Please consult IA Manual for all the relevant regulations.

In addition, the objectives of audit wing include advising and recommending senior management for improvements in internal control and risk management systems.

In order to fulfill its objectives, audit wing's scope of work includes:

- The examination and evaluation of the adequacy and effectiveness of the internal control systems at various operations and activities of BISP.
- Review of the application and effectiveness of risk management procedures and risk assessment methodologies at various operations and activities of BISP.
- The review of the management information systems, including the electronic payment system. The review of the accuracy and reliability of BISP accounting records and financial reports.
- Evaluation of adherence to legal and AGP's requirements and approved policies and procedures.
- Evaluation of effectiveness of existing policies and procedures and giving recommendations for improvements.
- Identifying opportunities for cost savings and making recommendations for improving cost efficiencies.
- Examining that resources are acquired economically, used efficiently and safeguarded adequately.
- Carrying out surprise audits based on risk assessments.
- Precisely, every activity and every entity of BISP fall within the scope of the internal audit for independent appraisal. The Director General and staff of audit department are, however, not allowed to:
  - Perform any operational duties for BISP out side audit department function.
  - Initiate or approve accounting transactions external to audit department.
  - Direct the activities of any BISP employee not employed by the audit department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

## **AUTHORITY & ACCESS**

The Director General and staff of audit department are authorized to:

- Have unrestricted access to all BISP departments, offices, affiliates, activities, records, information, properties and personnel, relevant to the performance of audit function.
- Determine scope of work and apply the techniques required to accomplish audit objectives.

- Obtain the necessary assistance of personnel in various departments/ offices of BISP where they perform audits.
- Have unrestricted access to Management Information System (MIS) and allied systems of BISP.
- Obtain assistance of specialists/ professionals where considered necessary from within or out side BISP.
- Perform surprise / snap / full scope audits beyond approved annual audit plan based on updates in risk assessment

## **RESPONSIBILITY**

The Director General audit department has responsibility to:

- Perform risk assessments and formulate an annual audit plan in consultation with Audit Committee and management.
- Implement the annual audit plan, including as appropriate any special tasks or projects requested by the audit committee.
- Maintain requisite professional audit staff strength with sufficient knowledge, skills, experience, and professional qualifications to meet the requirements of this Charter.
- Issue periodic reports on a timely basis to the audit committee and summarizing results of audit activities.
- Appoint required resources for the Internal Audit function as approved by the Audit Committee.
- Deploy resources freely as and when required.
- Keep the audit committee informed of emerging trends and developments in internal auditing practices and give recommendations for necessary revisions in Internal Audit Charter and Internal Audit Manual. Provide a list of significant measurement goals and results to the audit committee.
- Assist in the investigation of significant suspected fraudulent activities and notify the audit committee of the results.
- Ensure that the department complies with sound internal auditing principles and best practices; seek guidance from the standards issued by the Institute of Internal Auditors, and Information Systems Audit & Control Association, (USA).
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.

The director general and staff of audit department have responsibility to:

- Follow the guidelines and methodology given in the Internal Audit Manual.
- Exercise due professional care in carrying out audit assignments.
- Maintain objectivity and integrity.

The internal audit process, however, does not relieve departmental heads/directors of their responsibility for the maintenance and improvement of controls in their respective areas.

## **ACCOUNTABILITY AND REPORTING**

The Director General audit department, in the discharge of his duties, shall be accountable to the audit committee to:

- Submit an assessment on the adequacy and effectiveness of the BISP's processes for controlling its activities and managing its risks in all the core areas of BISP operations on six monthly basis and in non core areas on annual basis.
- Report significant issues related to the processes for controlling the activities of BISP and its regional offices, together with recommendations for improvements to those processes.
- Provide information on the status and results of the annual audit plan.

## **INDEPENDENCE**

To maintain the independence of internal audit wing following needs to be assured:

- The internal audit activity will remain free from interference by any element in the organization.
- 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 internal auditor's judgment.
- Audit department shall exercise its assignment on its own initiative in all departments, offices and functions of BISP.
- Director General audit department shall be authorised to communicate directly, and on his own initiative, to the members of audit committee and the board.
- The internal audit function should be subject to an independent review as and when required and at least once in 5 years. This review can be carried out by independent professionals e.g. practicing chartered accountants.

## **CONTINUITY AND IMPARTIALITY**

- Internal audit within BISP shall be a permanent function.
- Audit department shall be objective and impartial in performing its assignment.
- Objectivity and impartiality entails that the internal audit wing itself seeks to avoid any conflict of interest. To this end, staff assignments within audit department shall be rotated periodically. Internally recruited/transferred auditors shall not audit activities or functions they performed in the past two years and they will not be allowed to audit the work earlier performed by them and every staff is bound to sign declaration of independence before the start of any audit assignment.

