

MINISTRY OF FINANCE & ECONOMIC MANAGEMENT (MFEM)



MFEM INTERNAL AUDIT CHARTER

APRIL 2025

Table of Contents

Introduction	3
Purpose of Internal Audit.....	3
Scope of Internal Audit activity.	3
Independence.....	3
Authority and Confidentiality.	4
Roles and Responsibilities.	4
Assurance activities.....	4
Advisory services.....	5
Audit support activities.	5
Follow-up activities.	5
Standards.	5
Relationship with Audit Office and other assurance activities.....	6
Planning.	6
Reporting to the Internal Audit Committee.....	6
Administrative arrangements	6
The Internal Audit Committee.	7
Internal Audit Committee Members.....	7
Responsibilities.	7
Review of the Charter.	7

Introduction

The Financial Secretary has established the Internal Audit Function as a key component of the Cook Islands Public Sector governance framework.

Internal Audit, will support all Crown Entities in discharging their administrative responsibilities required under the Ministry of Finance and Economic Management (MFEM) Act. This will be achieved through a systematic, disciplined approach to evaluating and enhancing the effectiveness of risk management, control and governance processes. Internal Audit is designed to add value and improve the operational efficiencies of Crown Entities.

This charter provides the framework for the conduct of the Internal Audit function and has been approved by the Financial Secretary on the advice of the Internal Audit Committee.

Purpose of Internal Audit

Internal audit provides an independent and objective assurance and advisory service to:

- provide assurance to the Internal Audit Committee, that the Crown's financial and operational controls are functioning in an efficient, effective, economical and ethical manner;
- assist Crown entities improve their business performance and internal controls; and
- provide assurance that donor funded projects, complies with CIG financial and non-financial policies that govern the effective and economic use of these resources.

Scope of Internal Audit Activity

The scope of internal audit activities includes the comprehensive review of both financial and non-financial policies and operations. Internal audit reviews may extend to all programs and activities within MFEM, as well as those of Government Ministries, Island Administrations, Statutory Agencies, State-Owned Enterprises, Crown Agencies, and other entities, as outlined in applicable business agreements, memoranda of understanding, or contracts.

Independence

Independence is critical to the effectiveness of the internal audit function.

The Internal Audit function reports functionally to the Internal Audit Committee and administratively to the Director of Treasury.

The internal audit function has no direct authority or responsibility for the activities it reviews. It is not responsible for developing or implementing procedures or systems and does not perform in-line management functions.

The Internal Auditor has direct access to the Financial Secretary, the Chair, and other members of the Internal Audit Committee. Periodic meetings will be held between the Internal Auditor and the Audit Committee without other parties being present.

Authority and Confidentiality

All reviews are conducted under the authority of the Financial Secretary as specified in the Act.

Subject to compliance with Cook Islands Government policies, Internal Auditors are authorized to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation deemed necessary to fulfill their responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities.

The Internal Auditor and individual internal audit staff (including contractors and external service providers performing work on behalf of Internal Audit) are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

Prior approval from the Financial Secretary is required before engaging sub-contractors.

Roles and Responsibilities

In the conduct of its activities, Internal Audit will play an active role in:

- Fostering a culture of accountability, integrity and adherence to high ethical standards;
- Supporting the integration of risk management into daily business activities and processes; and
- Promoting a culture of cost-consciousness and encouraging self-assessment.

Internal Audit has a primary responsibility to advise on governance, risk management and control issues and is required to report any inadequately addressed risks and ineffective control processes to management and/or the Internal Audit Committee.

Reporting will be escalated to an appropriate level based on the internal audit's assessment of associated risk.

Internal audit activities will encompass the following areas:

Assurance Activities

Internal audit assurance activities include audits with the following orientation.

Compliance

- Ensuring compliance with legislative requirements, as well as the policies and procedures of the Cook Islands Government and MFEM, including but not limited to the following: CIG Financial Policy and Procedures Manual, CIG

Procurement Policy, Tarai Vaka Process, Environment and Social Safeguard Policy, Gender Policy, Anti-Money Laundering and Counter Terrorism Policy, Anti-Fraud and Anti-Corruption Policy and Whistleblowing procedures.

- Ensuring adherence to the requirements of donor funded projects including compliance with both financial and non-financial policies and procedures specific to those projects.
- Assessing the adequacy and effectiveness of internal controls, including information technology system controls related to finance, projects, operations, IT systems and information security;
- Evaluating the ethical conduct of the agency and its employees, contractors and agents;
- Reviewing the recording, control and use of entity assets.

Performance Improvement

The economy, efficiency and effectiveness of the entity's business systems and processes.

Advisory Services

Internal audit can advise management on a range of matters including:

New programs, systems and processes - providing advice on the development and implementation of new programs, systems and processes within the agency. This may include guiding management through the design and establishment of robust internal controls, ensuring that the necessary mechanisms are in place to mitigate risks and enhance operational efficiency.

Risk Management

- Supporting management to identify risks and develop effective risk mitigation and monitoring strategies within the framework of risk management;
- Coordinating the development and implementation of the MFEM Risk Management Plan;
- Monitoring the execution of risk mitigation strategies and providing regular reports on their progress and effectiveness.

Fraud Control

- Assisting management to identify the risks of fraud and develop effective fraud prevention and monitoring strategies; and
- Developing, maintaining and coordinating a Fraud Control Policy to ensure comprehensive fraud risk management.

Audit Support Activities

Internal audit is also responsible for:

- Assisting the Internal Audit Committee to discharge its responsibilities;
- Providing secretariat support to the Internal Audit Committee;
- Monitoring the implementation of audit recommendations;
- Sharing best practices and lessons learned from audit activities across the entity; and
- Overseeing the management of the audit function.

Follow—Up Activities

Internal audit will be responsible for the effective follow-up of audit engagement findings and the implementation of recommendations.

Standards

Audit activities will be conducted in accordance with the following professional standards:

- The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards).
- The Institute of Internal Auditors (IIA) Global International Standards and the CIG Internal Audit Processes and Procedures.

Internal audit activities will also be conducted in accordance with the Cook Islands Public Service values, policies and procedures.

In the conduct of internal audit work, internal audit staff will comply with relevant professional standards of conduct and exercise due professional care in performing their duties.

Relationship with Cook Islands Audit Office and Other Assurance Activities

Internal audit will establish and maintain an open relationship with the Cook Islands Audit Office and any other assurance providers. Consistent with the internal audit strategy, Internal Audit will plan its activity to help ensure the adequacy of overall audit coverage and to minimize duplication of assurance effort.

The Cook Islands Audit Office has full and free access to all internal audit strategies, plans, working papers and reports.

Planning

The Internal Auditor will prepare, for the Internal Audit Committee's consideration, an internal audit strategy and an internal audit work plan in a form and in accordance with a timetable agreed upon with the Internal Audit Committee.

The Internal Auditor will communicate the impact of resource limitations and any significant changes in the strategy and plan to the Internal Audit Committee.

Reporting to the Internal Audit Committee

The Internal Auditor will report to each meeting of the Internal Audit Committee on:

- Completed audits;
- Progress in implementing the internal audit strategy and work plan; and
- The status of implementing agreed recommendations from the Internal Audit, Cook Islands Audit Office, PERC and other relevant external bodies concerning Government activities.

Internal audit will also report to the Internal Audit Committee at least once annually on the overall state of internal controls and any systemic issues requiring management attention, based on the work of internal audit and other assurance providers.

Administrative Arrangements

Any change to the position of the Internal Auditor, or a service provider, must be approved by the Financial Secretary. The Chair of the Internal Audit Committee, and the committee as appropriate, will be consulted as part of the process.

As part of a comprehensive quality assurance program, the Internal Auditor will arrange for an independent review of the efficiency and effectiveness of the operations of the internal audit function at least every five years.

The results of the quality assurance program and, in particular, of the external review, will be reported to the Audit Committee.

The Internal Audit Committee

The authority of the Internal Audit Committee to perform its work is established within the scope of this charter. In discharging its responsibilities, the Internal Audit Committee shall have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties.

The Internal Audit Committee may engage independent counsel and/or other advisers as it deems necessary to carry out its duties.

Internal Audit Committee Members

Chair — The Financial Secretary

Member — Commissioner, Office of the Public Service

Member — Director of Treasury

These are the permanent members of the Internal Audit Committee, other members shall be engaged or invited on a case-by-case basis and reviewed from time to time as the function develops.

Responsibilities

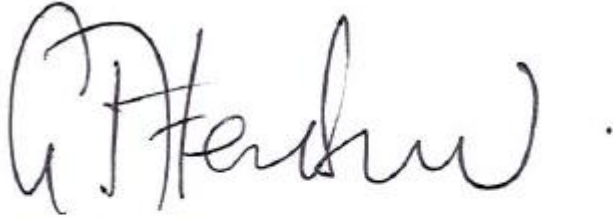
It is the responsibility of the Internal Audit Committee to:

- Review and approve proposed risk-based annual internal audit work plans and make recommendations concerning internal audit projects.
- Endorse the Internal Audit annual work plan.
- Review internal audit reports and other communications to management.
- Review and advise management on the results of any special investigations.
- Review and provide input on Internal Audit charter.

Review of the Charter

This charter will be reviewed at least annually by the Internal Audit Committee. Any substantive changes will be formally approved by the Financial Secretary on the

recommendation of the Internal Audit Committee.

A handwritten signature in black ink, appearing to read 'G. Henderson'.

Garth Henderson
Financial Secretary/Audit Committee Chair

Date: 08th August 2025.