

**Board Resolution No. 2017 - 91**

**“APPROVING THE ADOPTION OF THE  
INTERNAL AUDIT CHARTER OF THE  
PHILIPPINE POSTAL CORPORATION.”**

**RESOLVED**, as it hereby resolves, to  
approve the adoption of the Internal Audit  
Charter of the Philippine Postal Corporation,  
copy of which is hereto attached and made  
integral part of this resolution as Annex “A”.

Adopted during the 10<sup>th</sup> Special Meeting of the Board of Directors  
of the Philippine Postal Corporation held on 25 May 2017 at the City  
of Davao, Philippines.

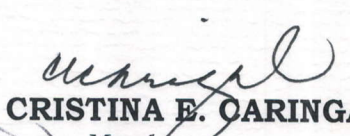
Approved by:

  
**MR. NORMAN N. FULGENCIO**  
Chairman

  
**MR. JOEL L. OTARRA**  
Vice-Chairman & Postmaster General


  
**MR. RENATO R. SANTICO**  
Member

  
**MR. RIDGWAY M. TANJILI**  
Member

  
**MS. CRISTINA E. CARINGAL**  
Member

  
**MR. RAUL B. BENDIGO**  
Member

Attested by:

  
**ATTY. RACHELLE T. SY, CPA**  
Corporate Secretary



## INTERNAL AUDIT CHARTER OF THE PHILIPPINE POSTAL CORPORATION

### 1. INTRODUCTION

Pursuant to Administrative Order No. 70 dated 14 April 2003, the IAS shall conduct the audit in conformity with the International Standards for the Professional Practice of Internal Auditing.

Further, the Commission on Audit, in its Resolution No. 2016-016 dated 30 September 2016, adopted the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA) in the development of the Philippine Internal Auditing Frameworks (PIAF) for Public Sector. The PIAF for Public Sector, as aligned with the prevailing international principles and standards, consists of the following:

- Definition of Internal Auditing
- Code of Ethics
  - Code of Ethics of Institute of Internal Auditors
  - Code of Conduct and Ethical Standards for Public Officials and Employees (R.A. No. 6713)
- The Philippine Internal Auditing Standards (PIAS), and
- The Philippine Applications Guidelines.

Under the PIAS, paragraph 1000 requires that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing).

### 2. MISSION

The Philippine Postal Corporation hereby adopts the mission of the Internal Audit Service as embodied in COA Resolution No. 2016-016 dated 30 September 2016, as follows:



*"To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight."*

### 3. CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The core principles for the professional practice of internal auditing for the Philippine Postal Corporation are as follows:

- a. Demonstrates integrity.
- b. Demonstrates competence and due professional care.
- c. Is objective and free from undue influence (independent).
- d. Aligns with the strategies, objectives, and risks of the organization.
- e. Is appropriately positioned and adequately resourced.
- f. Demonstrates quality and continuous improvement.
- g. Communicates effectively.
- h. Provides risk-based assurance.
- i. Is insightful, proactive, and future-focused.
- j. Promotes improvement of government operations

### 4. DEFINITION OF INTERNAL AUDITING

The Philippine Postal Corporation hereby adopts the definition Internal Auditing under COA Resolution No.2016-016 dated 30 September 2016, as follows:

**"Internal auditing** is an independent, objective assurance and consulting activity designed to add value and improve government operations.

It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of:

- governance processes
- risk management, and
- control."

The foregoing definition of Internal Auditing states the fundamental purpose, nature, and scope of internal auditing.

### 5. ROLE

The Internal Audit service shall be established by the Board of Directors, hereafter referred to as the Board. The Internal Audit Service's responsibilities are defined by the Board as part of their oversight role.



## 6. PROFESSIONALISM

The Internal Audit Service shall govern itself by adherence to the COA-IARDC's mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. The COA-IARDC's Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable to guide operations. In addition, the Internal Audit Service shall adhere to Philippine Postal Corporation relevant policies and procedures and the Internal Audit Service's standard operating procedures manual.

## 7. AUTHORITY

The Internal Audit Service, with strict accountability for confidentiality and safeguarding records and information, shall have the following powers and authority:

- Full, free and unrestricted access to all functions, records, properties, and personnel pertinent to carrying out any engagement.
- Allocate resources, set frequencies, select subjects, determine scopes of work, assign internal auditors who are competent and qualified for specific assignments, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of all personnel from within or outside the Corporation in fulfilling its roles and responsibilities..

Excluded from the foregoing powers and authority are the following:

- Perform any operational duties for the Corporation.
- Initiate or approve accounting transactions external to the internal audit services.
- Direct activities of any organization employee not employed by the Internal Audit Service, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.



## 8. ORGANIZATION

The Head of Internal Audit shall report to the Board.

The Board shall:

- Approve the internal audit charter
- Approve the risk based internal audit plan.
- Approve the internal audit budget and resource plan.
- Approve the issuance of Travel Authority, thru the Chairman of Audit Committee.
- Receive communications from the Head of Internal Audit on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Head of Internal Audit.
- Approve selection, promotion and removal of internal audit personnel.
- Make appropriate inquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Head of Internal Audit shall communicate and interact directly with the Board, thru the Audit Committee, including in executive sessions and between Board meetings as appropriate.

## 9. INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the Internal Audit Service as reflected in Sec. 3 of R.A. 4177, it shall be under the direct control and supervision by the Board of Directors.

The Internal Audit Service shall be free from all ordinary functions in the course of the business of the corporation. Likewise, the IAS shall be independent from the control and supervision of the management headed by the Postmaster General and CEO.

The internal audit service shall be free from interference by management in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.



The Head of Internal Audit shall be responsible for all internal audit engagements, whether performed by or for the internal audit service, and all professional judgments made throughout the engagement. He shall ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. This includes, but not limited to, assigning competent and qualified internal auditors for specific assignments, issuing related travel orders and letter of introductions based on Board approved audit plans, and reviewing and approving related travel itineraries of internal auditors.

Internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors shall not take part in the implementation of internal controls, development of procedures, or in the installation of systems, preparation records, or engagement in any other activity that may impair any internal auditor's judgment.

Internal auditors shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors shall make a balanced assessment of all the relevant circumstances and shall not be unduly influenced by their own interests or by others in forming their judgments.

The Head of Internal Audit shall confirm by a written report to the board, annually or as often as the board may require, the organizational independence of the internal audit service.

## 10. RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls, as well as the quality of performance in carrying out of assigned responsibilities to achieve the organization's goals and objectives.

This includes, but not limited to:

- Evaluating risk exposure relating to the achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.



- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are allocated and employed.
- Evaluating operations and programs to ascertain whether results are consistent with established objectives and goals and whether operations and programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on internal audit activities' purposes, authority, responsibilities, and performance relative to its annual plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Maintaining a professional audit personnel with sufficient knowledge, skills, experience, and relevant professional certifications to meet the requirements of the Charter.
- Conducting fact-finding investigations based on the documented reports/complaints as approved by the Chairperson of the Audit Committee and notifying the Board of Directors through the Audit Committee of the findings thereof.
- Implementing the approved annual audit plan, and evaluating specific operations at the request of the Board or management, as appropriate.
- Performing such other related and analogous functions as the Board or the Audit Committee may deem appropriate.

## 11. INTERNAL AUDIT PLAN



On or before the end of November of the current year, the Head of Internal Audit shall submit to the Audit Committee an internal audit plan for the following year for review and its endorsement to the Board for approval. The internal audit plan shall consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Head of Internal Audit shall communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan shall be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Head of Internal Audit shall review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan shall be communicated to the Board through periodic activity reports within five days.

## **12. REPORTING AND MONITORING**

A written report shall be prepared and issued by the Head of Internal Audit following the conclusion of each internal audit engagement and shall be distributed to those concerned within ten (10) calendar days. Internal audit results shall also be submitted to the Board.

The internal audit report shall include management's response, if any, and the corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter within thirty days by management responsible for the audited area, should include a timetable for anticipated completion of action to be taken thereon. The management's response shall also include an explanation for the non-implementation of any such corrective action as the IAS may have recommended.

The internal audit service shall be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings shall remain in an open issues file until cleared.

The Head of Internal Audit shall periodically report to the Board, thru Audit Committee, on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting shall also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.


## **13. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**



shall also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

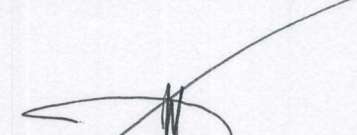
The Head of Internal Audit shall communicate to the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years or as often as the Board, in its sole discretion, may require.

**Submitted by:**

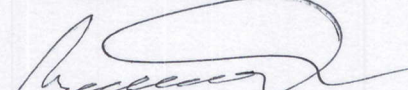
  
**Francis T. Cereno**  
Head of Internal Audit

### **Internal Audit Charter**

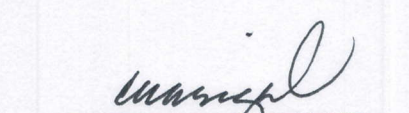
Approved this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

  
**NORMAN N. FULGENCIO**  
Audit Committee Member

  
**ATTY. RAUL B. BENDIGO**  
Audit Committee Member

  
**ATTY. RIDGWAY M. TANJILI**  
Audit Committee Member

  
**RENATO R. SANTICO**  
Audit Committee Member

  
**CRISTINA E. CARINGAL**  
Audit Committee Chairperson