Introduction to Internal Audit Charter (IAC)

This Internal Audit Charter (IAC) describes the mission, authority, independence and objectivity, scope of services, responsibilities, and standards of the Internal Audit Department (IAD) of Filinvest Land Inc (FLI).
The Chief Audit Executive ("CAE") shall review this charter at least annually and obtain the approval of the Audit and Risk Management Oversight Committee (ARMOC) for any revisions.

1. Purpose and Mission of the Internal Audit

The purpose of IAD is to provide an independent, objective assurance, and consulting activity designed to add value and improve FLI, its subsidiaries,' and third-party agencies' operations. The mission of IAD is to create and protect organizational value by providing independent, risk-based, and objective assurance, advisory, insight, and foresight. The IAD aims to assist FLI to achieve its objectives through a systematic and disciplined approach in evaluating and improving the effectiveness of governance, risk management, and control processes.

2. Standards for the Professional Practice of Internal Auditing

The IAD will govern itself in adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF) [1], including the Core Principles for the Professional Practice of Internal Auditing[2], the Code of Ethics[3], the Global Internal Audit Standards [4], and the Definition of Internal Auditing[5]. The Chief Audit Executive (CAE) will report, at least annually, to the Board, ARMOC, and Senior Management regarding the IAD's conformance to the Standards and Code of Ethics. When there is a nonconformance to the Standards or Code of Ethics, that may impact the overall scope or operation of the internal audit activity, the CAE must disclose the impact of nonconformance to the Board, ARMOC, and Senior Management.

3. Authority of Internal Audit

The CAE will report functionally to the ARMOC and administratively (i.e., day-to-day operations) to the Chief Executive Officer.

To establish, maintain, and assure that the IAD has sufficient authority to fulfill its duties, the ARMOC will:

- Approve the Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Approve IAD's team's budget and resource plan.

- Receive communications from the CAE on IAD's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the CAE.
- Approve the remuneration of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

The CAE will have unrestricted access to, communicate, and interact directly with the ARMOC including in private meetings without management present.

In the performance of Internal Audit Activity (IAA), the ARMOC authorizes the IAD to:

a. Have full, free, and unrestricted access to all functions, records, properties, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
b. Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
c. Obtain assistance from the necessary personnel of FLI, as well as other specialized services from within or outside FLI, to complete the engagement.
d. Conduct special audit engagements not in the approved IAD plan as requested by the CEO and other senior management officers as part of its administrative reporting.

4. Scope of the IAA

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the management and other concerned parties on the adequacy and effectiveness of governance, risk management, and control processes for FLI, its subsidiaries, and third-party agencies. The FLI IAD should not have any direct operational responsibility or authority over any of the activities audited.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of FLI's strategic objectives are appropriately identified and managed.
- The actions of FLI officers, directors, employees, and contractors are following FLI 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 FLI.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and protected adequately.

The CAE will report periodically to senior management and the Board Audit & Risk Oversight Committee regarding:

- The IAD's purpose, authority, and responsibility.
- The IAD's plan and performance relative to its plan.
- The IAD's conformance with The Institute of Internal Auditor's 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, or requested by the ARMOC.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to FLI.

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The IAD may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided that the IAD does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

The nature of internal audit activities can be classified as either assurance or consulting services.

Assurance services refer to the internal auditor's objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes of an organization.

Consulting activities are advisory and other related services, the nature and scope of which are agreed with the engagement client and are intended to add value and improve an organization's governance, risk management and control processes. When performing consulting services, the internal auditor must maintain objectivity and not assume management responsibility.
Some examples of consulting services are as follows:

- Governance, risk, and control-related management trainings
- Process design reviews requested by the engagement client
- Review of department's operating or control procedures

- Membership in cross-functional groups and task forces to provide advice on control, risk management and governance processes.

The IAD will exercise due professional care in conducting formal, informal, special and/or emergency consulting engagements by understanding the following:

- Needs of management officials, including the timing, and communication of engagement results
- Extent of work needed to achieve the engagement's objectives
- Skills and resources needed to conduct the engagement
- Effect in the scope of the audit plan previously approved by the Board Audit & Risk Oversight Committee
- Potential impact on future audit assignments and engagements
- Potential organizational benefits to be derived from the engagement

On a need basis, the IAD's work may also involve periodic testing of transactions, leading practice reviews, special investigations, appraisals of regulatory requirements, and measures to help prevent and detect fraud. The IAD's responsibilities in relation to fraud include the following:

- Evaluating the consideration of fraud risk in every audit and conducting the appropriate audit procedures based on the identified fraud risk.
- Exercising due professional care to the degree that fraud may be present in activities covered by the normal course of audit.
- Evaluating the risk of fraud and the way it is managed by the FLI.
- Assisting in fraud prevention by evaluating the adequacy and effectiveness of the internal control system.
- Coordinating with management, legal counsel, and other specialists, such as human resources and risk management, as appropriate, throughout the course of the investigation.

5. Responsibilities of the Internal Audit

The CAE has the responsibility to:

- Submit, at least annually, to senior management and ARMOC a risk-based internal audit plan for review and approval.
- Communicate to senior management and ARMOC the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in FLI's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and ARMOC any significant interim changes to the internal audit plan.

- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and ARMOC any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the IAD collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact FLI are considered and communicated to senior management and ARMOC as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the IAD.
- Ensure adherence to FLI's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and ARMOC.
- Ensure conformance of the IAD with the Standards, with the following qualifications:

    - If the IAD is prohibited by law or regulation from conformance with certain parts of the Standards, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.

    - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the CAE will ensure that the IAD conforms with the Standards, even if the IAD also conforms with the more restrictive requirements of other authoritative bodies.

6. Ethics, Professionalism and Objectivity

Ethics and Professionalism

The IA Lead will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAE must ensure that the IAD remains free from all conditions that threaten the ability of the internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

Where the CAE is expected to have roles and/or responsibilities that fall outside the internal audit activity, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors must maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product that no quality compromises are made, and they do not subordinate their judgment on audit matters to others.

The IAD should have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors must not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

a. Assessment of specific operations for which they had responsibility within 1 year.
b. Performing any operational duties for FLI, its subsidiaries, and third-party agencies
c. Initiating or approving transactions external to the IAD
d. Directing the activities of any FLI employee not employed by the IAD, except to the extent that such employees have been appropriately assigned to an engagement auditing team.

In addition, internal auditors must:

a. Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
b. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
c. Make balanced assessments of all relevant facts and circumstances.

d. Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The CAE, at least annually, confirms to the Board and ARMOC the organizational independence of the IAA and the objectivity of each internal auditor. Wherein, if the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment must be disclosed to the Board and ARMOC through interim reporting. The nature of disclosure will depend upon the impairment.

7. Continuing Professional Development (CPD)

The IAD should require its internal auditors to continue expanding their knowledge and skills throughout their stay at FLI. This is to enhance the competency and comprehensiveness of FLI internal auditors on latest audit trends and systems. Individual The CAE will evaluate competency according to their professional development, which includes:

a. Participation in, primarily to the Institute of Internal Auditors (IIA) – Philippine Chapter, conferences, and seminars relevant to the audit or competency of its internal auditor
b. Internal and external training programs offered by various institutions.
c. Online courses and webinars
d. Conducting research project
e. Volunteering with professional organizations
f. Pursuing professional certifications relevant to the need of the FLI IAD

8. Quality Assurance and Improvement Program

The CAE will maintain a quality assurance and improvement program that covers the spectrum of internal audit. The internal audit will be evaluated through an internal assessment conducted by the CAE, which often includes:

a. IAA's conformance with the mandatory elements of the IPPF
b. Quality and supervision of audit work performed.
c. Adequacy of internal audit policies and procedures
d. Internal audit department's value-added services to FLI
e. Establishment and achievement of Key Performance Indicators (KPIs)

The CAE will communicate with the Board, ARMOC, and Senior Management on the IAD's quality assurance and improvement program, including results of internal assessments. On-going monitoring is achieved primarily through continuous activities such as: engagement planning and supervision, standardized work practices, work-paper procedures and signoffs, report reviews, as well as identification of any weaknesses or areas in need of improvement and action plans to address them.

Amendment of FLI Internal Audit Charter

The CAE must be responsible for maintaining the charter according to the evaluation of current trends and company adjustments in internal auditing through annual review. Results of the review and updates must be reported to the Board, ARMOC, and Senior Management.

Any amendment of this document is subject to the approval of the ARMOC.

Prepared by/ Date:	Approved by/ Date:	Approved by/ Date:
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