



PUBLIC SAFETY MUTUAL BENEFIT FUND, INC.

Resolution No. 2020 – 05

APPROVAL OF THE INTERNAL AUDIT CHARTER

Whereas, the institution of an Internal Audit Charter, which adheres to the International Professional Practices Framework (IPPF) is a requirement of the Institute of Internal Auditors- Philippines (IIAP);

Whereas, an Internal Audit Charter was prepared by the Internal Auditor that will provide a framework on how the Office of the Internal Auditor (OIA) should operate;

Whereas, the proposed Audit Charter specifies the authority from which the activities of the Internal Audit emanates from, and the scope of internal audit activities to include governance, risk management and management controls over efficiency and/or effectiveness of operations, the reliability of financial and management reporting, and compliance with laws and regulations;

Whereas, the Audit Charter also specifies the management Internal Audit Functions through the Annual Risk-based Internal Audit Plan, adherence to the International Professional Practices Framework Code of Ethics, and Quality Assurance and Improvement Framework;

Whereas, the Risk and Audit Committee and the Executive Committee approved the proposed Internal Audit Charter for final approval of the Board;

Whereas, during the Regular Board meeting on January 28, 2020, the Board approved the Internal Audit Charter;

Now, therefore, be it resolved, as it is hereby resolved, that the Board approves the Internal Audit Charter hereto attached;

Be it resolved further, that there shall be a conduct of a risk-based audit activity effective February 2020 in compliance with the provision of C.1 of the charter on the Annual risk-based Internal Audit Plan;

Be it resolved finally, that copies of this resolution be furnished the Chairman and the Vice Chairman of the Board of Trustees, the President, the Vice President, the General Manager, and the PSMBFI Management for reference and information.

Done in San Juan City this 28th day of January 2020.


DIR ARCHIE FRANCISCO F GAMBOA
Chairman


DIR MARIO A AVENIDO
President


DIR ARMANDO E RAMOLETE
Vice President

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APPROVAL OF THE INTERNAL AUDIT CHARTER


DIR JOSELITO M VERA CRUZ
Treasurer


DIR FELIPE S MOQUIALA
Assistant Treasurer


DIR RICARDO C MARQUEZ
Trustee



DIR JUANITO B VAÑO JR
Trustee


DIR LYNDON G CUBOS
Trustee


DIR KEITH ERNARD L SINGIAN
Trustee


DIR VALFRIE G TABIAN
Trustee


DIR ELMO FRANCIS O SARONA
Trustee


DIR LYNETTE M TADEO
Trustee


DIR WARREN GASP A TOLITO
Trustee


DIR RODOLFO A COLLADO JR
Trustee

Attested by:

ATTY MATTHEW P BACCAY
Corporate Secretary



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A. Purpose and Nature of the Charter

A.1 Purpose

The Internal Audit Charter defines the framework in which the Internal Audit operates to best serve the Public Safety Mutual Benefit Fund Inc (PSMBFI). It sets out the purpose, activities, scope, management and responsibilities of the Internal Audit function.

A.2 Reference

The Charter adheres to the Institute of Internal Auditors' (IIA) *International Professional Practices Framework (IPPF)*, particularly the guidance in the design of an Internal Audit Charter with some customization to fit the needs of the company.

Also incorporated in the Charter is the mandatory guidance of the IPPF which constitutes the following:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing (Standards)*

These are the principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

A.3 Definitions

For the purpose of this Charter, the following definitions of IIA terms apply in PSMBFI as follows:

1. Internal Audit – “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
2. The Office of the Internal Auditor - is referred to here as the “Internal Audit Function (IA)”
3. The Risk and Audit Committee – the “Board”

4. The Internal Auditor – the “Chief Audit Executive (CAE)”

B. Internal Audit’s Purpose and Mission, Authority, Activities and Scope

B.1 Purpose and Mission

The *purpose* of PSMBFI’s Internal Audit Function is to provide independent, objective assurance and consulting services designed to add value and improve PSMBFI’s operations.

The *mission* of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps PSMBFI accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

B.2 Authority

The CAE will report functionally to the Risk and Audit Committee and administratively to the President/Chief Executive Officer.

The Board authorizes the activity of the IA through the approval of the *Internal Audit Charter* and the *Annual Risk-based Internal Audit Plan*. In the performance of its audit activities, the Board allows the IA to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to *accountability for confidentiality and safeguarding of records and information*.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of PSMBFI, as well as other specialized services from within or outside the company, in order to complete the engagement.

B.3 Activities and Scope

The activities of IA cover a broad area in the organization. It includes, but not limited to governance, risk management and management controls over efficiency and/or effectiveness of operations, the reliability of financial and management reporting and compliance with laws and regulations. It involves the assessment of the following:

- Risks related to the achievement of PSMBFI’s strategic objectives are appropriately identified and managed.
- The actions of PSMBFI’s officers, directors, employees, and contractors are in compliance with PSMBFI’s 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 PSMBFI.
- 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.

C. Management of the Internal Audit Function

C.1 Annual Risk-based Internal Audit Plan

The CAE will prepare and submit to the Board for approval an annual internal audit plan based on the understanding of the significant risks to which PSMBFI is exposed to and also in relation to the Enterprise-wide Risk Assessment upon its completion.

The Plan will be periodically reviewed and adjusted as the need arises, in response to changes in PSMBFI's risks, operations, programs, systems, and controls.

C.2 Professional Standards

The IPPF's Code of Ethics comprises the following principles as stated in the code:

- *Integrity*
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- *Objectivity*
Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- *Confidentiality*
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- *Competency*

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Adherence to the above principles, as well as the *PSMBFI's Code of Discipline for Employees* promotes an ethical and professional culture in the IA.

C.3 Quality Assurance and Improvement Framework

The IA will base its assessment of its own activities on the Quality Assurance and Improvement Framework upon its completion. The results will be reported to the Board at least on a yearly basis.

C.4 Reporting

All internal audit projects should result in a formal report. Initial report should be sent to the department/s concerned for agreement on the accuracy of findings and the soundness of the audit recommendations. After the comments from the departments under review were considered, a final report will be prepared to be furnished to all concerned.

The CAE will report to the Board on a monthly basis covering all significant issues on risk management and internal control processes.

Internal Audit Charter

Signatures

Date

Jasel J. Rabano
Chief Audit Executive

Dir. Juanito B. Vaño
Chairman, Risk and Audit Committee

Dir. Mario A. Avenido
President & CEO
