

# CITY & LAND DEVELOPERS, INCORPORATED

CITYLAND CONDOMINIUM 10 TOWER 1, 3RD FLOOR  
#156 H.V. DELA COSTA ST., MAKATI CITY

## INTERNAL AUDIT CHARTER

### INTRODUCTION:

Internal Auditing is an appraised activity established to add value in the assistance of achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

This charter describes the mission, roles, responsibilities, independence, objectivity and authority of the Internal Audit Department (IAD).

### MISSION:

The mission of the IAD is to provide full support and assistance to the Board and Management in ensuring that its operations are conducted according to the highest standards by providing an independent, objective assurance and by advising on leading practices.

### ROLE:

The Internal Audit Department (IAD) is established by the Board of Directors through the Audit & Risk Committee. It aims to assist the Board of Directors in carrying out its duties and responsibilities based on the MANUAL ON CORPORATE GOVERNANCE and Audit & Risk Committee Charter.

### RESPONSIBILITY:

The Internal Audit Department is tasked to the following:

- Come up with an annual audit plan to ascertain that the entire organization operations are being managed efficiently and effectively.

- Evaluate the accuracy and reliability of the company's financial information.
- Appraise the company's activities to ensure that the entire organization operation are being managed efficiently and effectively.
- Assist in the investigation of highly suspected fraudulent activities and update Audit & Risk Committee on the result.
- Evaluate the operation of various departments to ascertain that there is quality performance and that Standard Operating Procedures and Guidelines are well carried out.
- Evaluate the extent of participation by the department in the agreed procedures and guidelines set by the Management
- Evaluate the adequacy of internal controls over the company's assets.
- Review and evaluate compliance with policies, plans, procedures, laws and regulations.
- Maintain a quality assurance program as guide and improvement to internal auditing activities.
- Maintain professional audit staff with sufficient knowledge, skills, experience, and professional certifications and establish a formal training and development program that will assist the group in achieving its objectives and meet the requirements of this charter.

#### **INDEPENDENCE AND OBJECTIVITY:**

IAD shall be supervised by the Head of Internal Audit. The Head of Internal Audit shall functionally report to the Board, through the Audit Committee, and administratively update the Management.

The internal audit activities will remain free from interference by any element 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.

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.

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

The Head of IAD will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

#### **AUTHORITY:**

The Internal Audit Department shall have an unrestricted access to all records, property and function in order to perform effective audit engagement. Likewise, they are authorized to get the necessary assistance from the Department to which they are conducting an audit.

IAD shall require support from the Management including the departments and employees, to supply necessary information and explanations as may be needed in the course of audit within a reasonable period of time.

#### **ANNUAL AUDIT PROGRAM/PLAN**

The Head of Internal Audit shall prepare an internal audit plan and submit to the Audit & Risk Committee for approval. The audit plan including the scope, extent and timing shall also be presented to the Management.

Any significant changes / deviation and development on the plan supported by justifiable reasons and circumstances must be communicated to the Audit & Risk Committee and the Management.

#### **REPORTING AND MONITORING:**

- A written audit report is prepared and forwarded to the Management after an audit engagement is completed. The audit report shall contain the findings, conclusion and recommendations for improvement. Said report is then submitted to the Audit Committee for information.
- The IAD shall perform appropriate follow-up audit on the audit findings and recommendations.

## **STANDARDS OF AUDIT PRACTICE**

The Internal Audit Department will adhere to guidance set by the Institute of Internal Audit (IIA) which include the following:

- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing (Standards)
- The Institute of Internal Auditor's Practice Advisories
- Practice Guides
- Position Papers
- Quality Assurance and Improvement Program

## **PERIODIC REVIEW AND ASSESSMENT**

The Head of Internal Audit Department shall report periodically to the Audit Committee and present to the Management the internal audit activities as well as the performance of the concerned departments being audited. The report includes the area of coverage, time frame, findings and significant issue/s and recommended activities.

Likewise, the Head of Internal Audit Department shall communicate to the Management and Audit & Risk Committee the results of the on-going assessment on the recommended improvement program/s.

