

	CORPORATE INTERNAL AUDIT MANUAL			
	AUDIT CHARTER			
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I. MISSION

The mission of the Corporate Internal Audit (CIA) Department is to provide independent, objective assurance and support designed to add value and improve the Company's operations and systems of internal controls.

The Department also aims to help the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of its risk management and control processes.

II. SCOPE OF WORK

The scope of audit coverage is company-wide and no department within the Company is exempt from audit and review.

In order to fulfill its mission, the CIA Department must determine whether the Company's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed.
- Interaction occurs as needed between the various departments and external regulatory authorities.
- Operations are transacted in accordance with sufficient and adequate controls.
- Significant financial, managerial, and operating information are accurate, reliable, and timely.
- Employees' actions are governed by policies, standards, procedures, and applicable laws and regulations.
- Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.
- Programs, plans, and objectives are achieved.
- Resources are acquired economically, used efficiently, and adequately protected.
- Quality and continuous improvement are fostered in the control processes of the Company.

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IMELDA N. LIM	MELINDA G. MANTO
CIA Manager	Audit Committee Chairman

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III. RESPONSIBILITIES

The CIA Department, in the discharge of its duties, shall be accountable to the ***Audit Committee***.

It shall:

- a. Develop an annual Audit Plan using appropriate risk-based methodology, including risks or control concerns identified by Senior Management and other relevant stakeholders and to submit that plan to the Audit Committee for review and approval.
- b. Implement the annual Audit Plan as approved, including, and as appropriate, any special mandates or projects requested by Senior Management.
- c. Maintain a set of professional audit staff with sufficient knowledge, skills, experience to meet the requirement of this Charter.
- d. Issue an audit report addressed to the auditee and any other relevant parties at the conclusion of each audit in order to communicate the audit findings, recommendations and committed action plans, with a copy to the Audit Committee.
- e. Follow up on outstanding action plans to ensure significant risks and major deficiencies identified are effectively addressed and remediated by concerned Departments within the mutually agreed time frame.
- f. Prepare and present monthly reports to Management summarizing the status and the results of audit activities.
- g. Identify key processes supporting financial reporting, assist business process owners to identify and document effective internal controls, and test key financial reporting controls in identified financial systems (*Sarbanes-Oxley Act, Section 404*).
- h. Formulate, draft, review or update the Company's Antifraud program and practices with Management, as needed.
- i. Investigate on suspected fraudulent activities within the organization and notify the Audit Committee and Management of the results.
- j. Serve as a resource within the Company in identifying the need for and characteristics of adequate systems of control.
- k. Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.

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- l. Assist the Audit Committee in any other way in connection with the discharge of its duties and responsibilities, including but not limited to: secretariat support among others.
- m. Render quarterly report to the Audit Committee during the quarterly meetings.

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

IV. AUDIT PLAN

The annual Audit Plan is developed before the beginning of each year (*usually December of prior year*) based upon inputs from Senior Management, Department Heads and a detailed, thorough risk assessment by the CIA department.

The annual Audit Plan may include a mix of the following types of audit activity:

- *Operations audits* focusing on improving efficiencies or effectiveness with a goal of contributing to cost reduction efforts; will also include compliance to operational policies and procedures in place
- *Financial audits* including determining the accuracy and reliability of data developed within the Company, and ensuring that corporate assets are properly safeguarded.
- *Tax audits*, which will focus on checking the compliance to regulatory tax requirements including the propriety of the amounts declared and reporting any potential tax exposures that may be uncovered along the way.
- *Reviews of internal controls* related to significant systems and processes to determine whether or not they are properly designed and functioning as intended.
- *Reviews of compliance* with the Company's significant policies and procedures.
- *Reviews of compliance* with significant external requirements/ regulations, including applicable accounting rules and regulations.
- *Reviews of computer-based systems* focusing on data security, disaster recovery, and effective use of resources.
- *Strategic audits*, including due diligence activities and review of the execution of the Company's strategic objectives.

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- *Ad-Hoc audit engagements* based on management requests

To develop the annual Audit Plan, an overall risk-based approach is used to ensure that the CIA function provides the greatest possible benefit to the Company. On an ongoing basis, matters considered in developing the annual Audit Plan include the following:

- Review and understanding of the strategic and business plans of the core businesses.
- Significant degree of risk for potential loss exposure to the Company.
- Significant opportunities to achieve operating benefits.
- Existence of significant known errors, irregularities or control weaknesses.
- Results of previous audits.
- Major changes in operations, systems or controls.
- Major changes in regulatory or other requirements.
- Requests from Management.

Each year, CIA representatives will work with the Department Manager/Heads to perform risk assessment activities designed to identify and prioritize the Company's key risks and related processes. This information will be used to identify the audit mandates that will be included in the annual Audit Plan.

Based on the risk assessment performed, the CIA Manager will present a proposed annual Audit Plan to the Audit Committee for approval, which will include recommended activities to be audited, the timing of those audits, and the estimated resources needed. Any deviation from the formally approved Audit Plan will be communicated to the Audit Committee.

Internal Audit planning is developed in a manner that allows for the coverage of the Company's highest risk areas in a 3-year period. Significant, critical risks will be covered more frequently.

V. REPORTING

A written report will be prepared and issued by the Head of Corporate Internal Audit following the conclusion of each audit and will be distributed as appropriate. The report will include findings and recommendations, along with the audited business unit/department action plans. The significance of the recommendations will impact the timelines of the follow-up.

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Follow-up and monitoring of the committed action plans is done according to risk levels of the associated findings, as below:

- a. High-risk – one week after the committed implementation date
- b. Moderate-risk – one month after the committed implementation date
- c. Low-risk – three months after the committed implementation date

Compliance and non-compliance will likewise be reported to the Audit Committee and Senior Management. Follow-up timing and frequency may also depend on management requests.

VI. INDEPENDENCE

All CIA staff will report directly to the Head of Corporate Internal Audit, who in turn reports to the Audit Committee functionally. All administrative concerns will be addressed by the Chief Financial Officer. The Head of Internal Audit will meet *at least quarterly* with the Audit Committee to discuss matters pertaining to the audit activities and updates. In addition, the Head of Internal Audit will have direct access to the Audit Committee and will take any matter that is believed to be of sufficient magnitude and importance to require immediate attention of the Committee.

To maintain its independence, the CIA Department will have no direct operational responsibility or authority over any of the activities under scope. *Accordingly, it will not develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited.*

The CIA Department is authorized to have unrestricted access to all Company activities, records, property and personnel. Restriction to these accesses imposed by any employee from any department of the Company, which prevents the CIA department from performing its duties, will be reported immediately to the Audit Committee based on circumstances as determined by the Head of Corporate Internal Audit.

VII. STANDARDS OF AUDIT PRACTICE

The CIA department shall follow the *Code of Ethics and Standards for the Professional Practice of Internal Auditing*.

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