



CARITAS
HEALTH
SHIELD

Internal Audit Charter

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INTERNAL AUDIT CHARTER

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I. INTRODUCTION

A. Background

One of the great challenges every organization face is assuring efficient and effective risk management – those policies and processes designed to leverage or mitigate risks to the organization's advantage. When done well, internal audit provides that assurance as part of its role to protect and enhance organizational value.

For internal audit to operate at the highest levels, it must have clearly defined and articulated marching orders from the governing body and management. This is most easily achieved with a well-designed internal audit charter.

B. Mission and Purpose

The Internal Audit Department's (IAD) mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. IAD will be responsible for the accomplishment of the internal auditing function and provide policy guidelines of the IAD and its interrelations with other function areas of CHSI and its subsidiaries (referred to as "Company").

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve the operations of the Company. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The objectives of internal auditing are to assist all Company personnel on the most effective, efficient, and economical ways to fulfill and discharge their responsibilities by providing objective analysis of the activities reviewed and by making recommendations for improvement.

II. DEFINITION and QUALIFICATION

A. Internal Audit Department

The Internal Audit Department (IAD) is hereby established. This shall be the sole and mandated internal audit office of the Company and shall perform its duties in a manner consistent with generally accepted auditing standards. The generally accepted auditing standards as shown in the Standards for the Professional Practice of Internal Auditing.

B. The Internal Audit Head

1. The Internal Audit Head shall be the executive and administrative head of the IAD. The Internal Audit Head shall be independent in carrying out his duties, consistent with the provisions of this IAD Charter for setting priorities, areas for investigation, and procedures. The Internal Audit Head shall have such assistants and employees as are necessary to perform duties of the office. The Internal Audit Head shall select the staff of the IAD and the selection process will be consistent with the provisions of hiring policies of the Human Resources Management (HRM) of the Company. The staff of the IAD will comply with all aspects and all policies being implemented by HRM.
2. The Internal Audit Head reports directly to the President of the Company. The IAD staffs are organizationally independent of all functions and maintain independence of mental attitude and judgment in handling of audit activities. They are not assigned duties nor engaged in activities that they would normally be expected to review.

3. **Qualifications:** The Internal Audit Head shall be able to manage a professional audit staff, analyze financial and property records, evaluate operations for economy efficiency, and program results.

III. DUTIES AND RESPONSIBILITIES OF AN INTERNAL AUDITOR

The Internal Auditor (IA) shall have the authority to conduct audits of all departments, programs, activities, agencies, and subsidiaries of the Company. The Internal Auditor's activities and responsibilities shall generally consist of:

- Conducting of post audit review of company core processes (pre-audit of transactions may be performed upon management's directives);
- Reviewing activities and programs to ensure compliance with applicable policies, procedures, laws and regulations;
- Reviewing activities and programs to ensure that they are being conducted in a manner to efficiently and effectively accomplish the objectives intended by the Company;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- Verifying that resources, including funds, property, and personnel, are adequately safeguarded, controlled, and used in an effective and efficient manner;
- Ensuring that there are adequate operating and administrative procedures and practices, accounting internal control systems, and that internal management controls have been established by management;
- Providing monitoring activities and status reporting of risk management processes and controls and its application;
- Periodically reporting of audit findings and status of implementation of management action plans to the Management and Office of the President on a periodic basis;
- Conducting special audits and reviews at the request of the President and/or management;
- Investigating reported occurrences of fraud, embezzlement, theft, waste, etc., and recommending controls to prevent or detect such occurrences;
- Preparing written audit reports on the results of all audit engagements, including any recommendations for improvement;
- Serve as liaison with external auditors and coordinate audit efforts to avoid duplication of effort and increase audit coverage;
- Appraising the quality of performance in carrying out assigned responsibilities and the economy and efficiency with which resources are employed.

IV. ANNUAL AUDIT PLAN

- a. Prior to the beginning of each calendar year, the IA shall submit an annual audit plan to the President for review and approval. The President may recommend areas for inclusion in the

plan. The plan shall include the departments, offices, branches and activities scheduled for audit during the year and the estimated time required to complete the audit.

- b. The annual audit plan may be amended during the year after review and approval by the President/Management.
- c. The Internal Audit Head shall make reports on the status of the audit plan at least on a quarterly basis to the President/Management.

V. AUDIT PROCEDURES

Procedures to be followed in carrying out the IAD Function:

- a. Except in special investigations and audit jobs where there is suspicion of fraud, a list of schedules/documents required for the audit shall be obtained from all departments/branches/subsidiaries to be audited. This is to ensure that all the necessary documents, schedules, and reports are made available to the internal auditors prior to the start of the schedule date of fieldwork.
- b. Prepare Audit Notice with the managers of the unit being audited detailing the nature of the audit, length of engagement and to coordinate the timing of review by area. Review the audit program with functional managers to ensure proper and thorough audit coverage.
- c. Prepare draft audit findings noted during the review. These preliminary findings will be documented and discussed in the exit meeting and forwarded to the auditee with a copy to the Head of the Division/Department. The auditees shall respond in writing specifying agreement with each of the audit findings and recommendations or reasons for disagreement with findings and/or recommendations, and auditee's management action plans for implementing solutions to identified problems including a timetable to complete such activities.
- d. A written, draft Audit Report will be prepared by the Internal Auditors following the conclusion of the audit to be reviewed and approved by the Internal Audit Head. A meeting will be held to discuss the written audit findings with the auditee's appropriate management and come to a consensus on the accuracy of the findings and propriety of the recommendations, and auditee's action plans, dates of implementation and persons responsible. Copies of the final report will be distributed as appropriate. Ownership of the Audit report automatically transfers to auditee upon receipt.
- e. The auditee shall be responsible for ensuring that progress is made toward implementing the audit recommendations. If the unit proposes alternative actions, IAD staff is responsible for determining whether the action is adequate to resolve audit findings.

VI. FRAUD AUDIT

Deterrence of fraud is the responsibility of management. The IAD is responsible for examining and evaluating the adequacy and the effectiveness of actions taken by management to fulfill this obligation.

Internal Auditors should have sufficient knowledge of fraud to be able to identify indicators that fraud may have occurred. If sufficient control weaknesses are detected, additional tests conducted by Internal Auditors should include tests to identify other indicators of fraud.



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Internal Auditors are not expected to have knowledge equivalent to a person whose primary responsibility is to detect and investigate fraud. Also, auditing procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

IAD will assist in the investigation of fraud in order to:

- a. Determine if controls need to be implemented or strengthened.
- b. Design audit tests to help disclose the existence of similar fraud in the future.
- c. Help meet the Internal Auditor's responsibility to maintain sufficient knowledge of fraud.

A written report will be issued at the conclusion of each investigation. It will include all observations, recommendations, and corrective action taken and timelines of implementation.

VII. SPECIAL AUDIT

- a. The Internal Audit Head may initiate special audits without prior approval from the President/Management if he/she determines that immediate action may be necessary to safeguard Company assets.
- b. In some cases, the President / Management shall be notified within 48 hours of the circumstances requiring the initiation of a special audit.
- c. All special audits, which do not require immediate action, must be approved by the Management / President prior to being initiated by the Internal Audit Head.

VIII. RESPONSIBILITY TO NOTIFY INTERNAL AUDIT DEPARTMENT

- a. Company employees and officials shall promptly notify IAD of instances of fraud, theft or other disappearance of cash, checks, or property, defalcations, and non-compliance with laws and regulations of which they are aware.
- b. Individuals making such reports will identify themselves and the Internal Auditors shall assure the confidentiality of the individual to the fullest extent of the law.

IX. RECORDS (RETENTION POLICY)

A complete file of each audit report and each report of other examinations, investigations, surveys, and reviews conducted by the IAD shall be retained for at least five (5) years. The file should include audit work papers and other supportive materials directly pertaining to the audit report.

X. ACCESS TO RECORDS, PROPERTY, AND PERSONNEL

In the conduct of audits, the IAD shall have full, free, and unrestricted access to any Company activities records, properties, and personnel necessary to the audit. The IAD will limit the review to those records, relevant to the audit subject and will ensure that any confidential information is properly protected.

XI. AUDIT REPORTS TO THE PRESIDENT / MANAGEMENT

- a. Each audit will result in a written final report.
- b. The Internal Audit Head shall submit copies of each report to the President/Management and shall retain a copy as a permanent record.
- c. The auditor shall include in the audit reports where applicable:
 - c.1 A precise statement of objectives and scope encompassed by the audit;
 - c.2 A statement that the audit was performed in accordance with generally accepted auditing standards;
 - c.3 A statement of the time frame covered by the audit;
 - c.4 A summary of the findings showing the qualification of the priority of the issues identifies;
 - c.5 Detailed Findings/Observations showing the details of the audit findings. A sample format can be shown in tabular form with the following information:
 - c.5.1 Observation - shows the details of exceptions noted;
 - c.5.2 Risk/Implication - statement of the events/conditions that would hinder the achievement of the desired objective;
 - c.5.3 Recommendation - auditor's desired action steps to address the audit observation and to mitigate the risk identified;
 - c.5.4 Management Action - auditee's response to the observation and recommendation;
 - c.5.5 Person Responsible - person designated by the auditee to be responsible for the implementation of the management action plan;
 - c.5.6 Date of Implementation - date of implementation of the management action plan as defined by the auditee; and,
 - c.5.7 The President/Management will approve all audit reports prior to release of audit report to any office or third party.

XII. DEGREE OF CONFIDENTIALITY OF AUDIT REPORTS

- a. Prior to final release, all audit reports will be treated as confidential. A preliminary draft of an audit report may be released to the auditee for review and comment if the auditee agrees to restrict its use and to maintain the confidentiality of the information.
- b. All final audit reports shall be made available to external parties only after written approval by the President/Management. The Internal Auditors shall exercise utmost care and diligence in releasing audit reports when possible criminal conduct is found in the audit and the release of the report would jeopardize the interest of the Company.


XIII. REPORT OF IRREGULARITIES

If the Internal Audit Head detects apparent violations of law or apparent instances of irregularities, the Internal Audit Head shall report the irregularities to the President/Management. If the irregularity is criminal in nature, the Internal Audit Head shall also notify the appropriate Company officers with the concurrence of the President/Management.

XIV. CHARTER ADMINISTRATION

This Charter was approved by CHSI President and Chief Executive Officer on -- February 2020. The Charter is developed and maintained by IAD and is reviewed annually. The Charter is being distributed to CHSI Senior Management and is available to all CHSI Staff upon request from the Internal Audit Head.

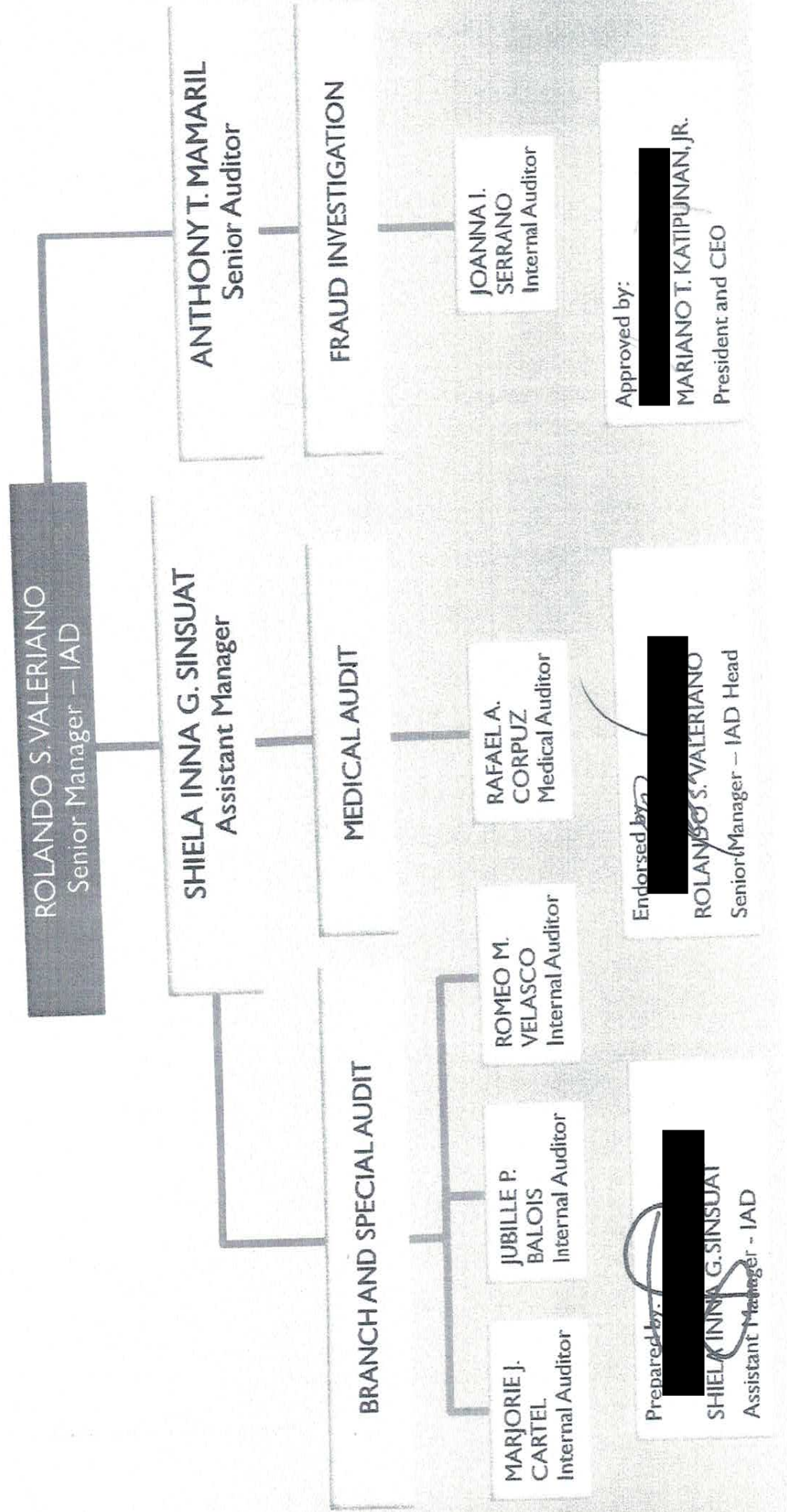
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Approved by:


Mariano T. Katipunan, Jr.
President and Chief Executive Officer

INTERNAL AUDIT DEPARTMENT (IAD) PROPOSED ORGANIZATION CHART



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Senior Manager - IAD

SHIELA INNA G. SINSUAT
Assistant Manager

ANTHONY T. MAMARIL
Senior Auditor

FRAUD INVESTIGATION

JOANNA I. SERRANO
Internal Auditor

Approved by:
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MARIANO T. KATIPUNAN, JR.
President and CEO

MEDICAL AUDIT

RAFAELA A. CORPUZ
Medical Auditor

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Senior Manager - IAD Head

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Internal Auditor

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