 <p>LBP RESOURCES AND DEVELOPMENT CORPORATION 24TH Floor LBP Plaza 1598 M.H Del Pilar cor. Dr. J. Quintos St. Malate Manila</p>	INTERNAL AUDIT MANUAL	Class Code: D
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1. Establishment of Internal Audit Service/Unit

Each department, Governing Body, Commission or Council of the Executive Branch is authorized to establish its own IAS to cover audit areas in the Office of the Department Secretary, bureaus, offices, agencies, including regional/field offices, regulatory agencies and other agencies either under the supervision and control or under the administrative supervision of a department, consistent with the foregoing provisions of the Administrative code of 1987 on administrative relationships.

2. Reporting Lines

The IAS is an integral part of the agency which provides assistance to the Management and performs functions delegated by the Audit Committee of the governing Board of the corporation.

3. Roles and Responsibilities


Pursuant to Section 124 of the Government Auditing Code of the Philippines and the Administrative Code of 1987, the Audit Committee has the direct responsibility to install, implement and monitor a sound system of internal control. However, the Audit Committee may task the IAS to undertake the appraisal of the internal control within the company.

As an output of its internal audit functions, the IAS may provide inputs to the Audit Committee in:

- a. Maintaining accountability for results, norms of conduct and transparency;
- b. Promoting self-assessment and adherence to professional and ethical standards;
- c. Ensuring that funds are utilized in order to attain objectives;
- d. Enhancing management controls to ensure that control objectives are achieved; and
- e. Ensuring that the 4Es of operations are achieved.

In the conduct of internal audit work, the internal audit staff must:

- a. Comply with the government's Code of Conduct and Ethical Standards for Public Officials and Employees;

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- b. Possess the knowledge, skills, technical and functional expertise;
- c. Acquire the skills in dealing with people and communicating audit findings and recommendations and related issues effectively;
- d. Regularly improve their technical competence through a program of professional development;
- e. Exercise due professional diligence in performing their duties;
- f. Keep the confidentiality of the information;
- g. Maintain internal audit records; and
- h. Foster teamwork in performing the internal audit function.

4. Relationships with Principals and Key Stakeholders

To be effective, the IAS must have the trust and confidence of the principals and key stakeholders it works with. This can only be established and maintained by fostering effective working relationships and delivering high quality and timely internal audit services.


The principal is the company's Audit Committee.

Stakeholder refers to a person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity. Key stakeholders may either be internal (the Management, the Governing Board of the company) or external (persons, organizations and other service groups that are outside the company's circle. They must always be deal with the Management and not directly with the IAS).

5. Organizational Structure

In order to provide the services expected of the IAS, it is important that it has:

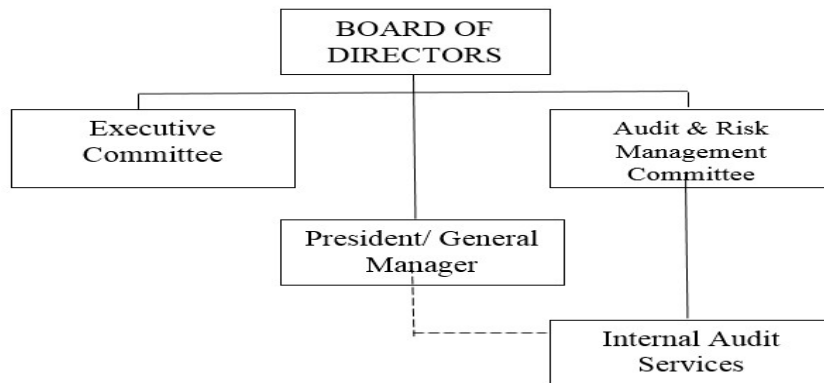
- a. An appropriate organizational structure;
- b. Access to sufficient human resource/s with the necessary skills and experience; and
- c. An adequate budget.

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It is important that the IAS be positioned well within the organization as shown in Figure 1. The Internal Audit Specialist as shown in LBRDC's organizational structure is directly reporting to the Audit Committee and regularly reporting administratively to the President/GM.

Figure 1

LBP Resources and Development Corporation
Organizational Structure




6. Internal Audit Budget

To provide an effective internal audit function, it is important that the budget is sufficient to implement the role expected of the IAS and, in particular, responds to the priorities and requirements of the approved strategic and annual work plan. The Audit Committee approves the internal audit budget.

The factors that influence the internal audit budget include:

- The number and types of audits included in the annual work plan – operations/ compliance/ management audit;
- Complexity of the annual work plan – an audit requiring skills, such as an information technology expert, could add to the cost of the audit;
- Geographic spread of audit work – the more travel that is required, the greater the required budget; and
- Related audit services, such as being reference point for contacts like the COA, Office of the Ombudsman and other oversight or regulatory bodies and/or intervening activities or tasks that may be assigned to the IAS by

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the Audit Committee.

In presenting the internal audit strategic and annual work plan, the IAS may submit the proposed budget for the planned activities. If the approved budget is less than the proposed, the IAS should review the audit plan and prioritize the activities that can be undertaken for the year. Other activities may be rescheduled in the succeeding years.