



# MANILA TEACHERS' MUTUAL AID SYSTEM, INC.

918 United Nations Avenue, Ermita, Manila Tel. Nos.: 404-27-93 to 95

**March 23, 2023**

**TO : THE BOARD OF DIRECTORS**

**THRU : REMUNERATION AND AUDIT & COMPLIANCE COMMITTEE**

**SUBJECT : AMENDED MTMAS INTERNAL AUDIT CHARTER**

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Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Manila Teachers' Mutual Aid System, Inc. (MTMAS). The mission of Internal Audit Department is to enhance and protect the association's value and to support the Board of Directors in the effective discharge of their responsibilities by providing independent, risk-based and objective assurance, fraud investigation where appropriate, advice and insight. IAD assists MTMAS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the association's risk management, control, and governance processes.

In order to carry out its mission effectively, Internal Audit Department adopts and prescribes to the Definition of Internal Auditing, Code of Ethics and International Standards of the Professional Practice of Internal Auditing (ISPPA) as promulgated by the Institute of Internal Auditors. These are standards and guidance essential for the practice of internal auditing; and this requires establishment of Internal Audit Department's position within MTMAS through Internal Audit Charter. The Internal Audit Charter defines the internal audit activity's purpose, authority and responsibility and serves as a guide in the performance of its duties.

MTMAS has an existing Internal Audit Charter which was reviewed and approved by the Board of Directors on August 13, 2011 thru Board Resolution No 47-11. It has been more than a decade since the charter was reviewed and approved. With the development in the Internal Audit profession, such as updates on the ISPPA in 2017 and IPPF Implementation Guidance in 2019, it is imperative that MTMAS Internal Audit Charter be amended to implement these changes. Hence, the charter was updated to conform to the requirements of the standards.

Attached is the updated MTMAS Internal Audit Charter for your review and approval.

**MYLÉNE JOY S. MIRANDA**  
Internal Audit Manager



## **INTERNAL AUDIT DEPARTMENT CHARTER**

### **INTRODUCTION**

The Internal Audit Charter establishes the Internal Audit Department's position within Manila Teachers' Mutual Aid System, Inc. ("MTMAS" or "the association"). The Internal Audit Charter defines the internal audit activity's purpose, authority and responsibility and serves as a guide in the performance of its duties.

### **MISSION**

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of MTMAS. The mission of Internal Audit Department is to enhance and protect the association's value and to support the Board of Directors in the effective discharge of their responsibilities by providing independent, risk-based and objective assurance, fraud investigation where appropriate, advice and insight. IAD assists MTMAS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the association's risk management, control, and governance processes.

### **PROFESSIONAL STANDARDS**

Internal Audit Department shall adopt and prescribe to the Definition of Internal Auditing, Code of Ethics and International Standards of the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors. In addition, Internal Audit Staff shall adhere to the MTMAS IAD Manual, which includes attributes and performance standards and implementation guidance essential to the practice of internal audit activity.

### **AUTHORITY**

In order to fulfill its responsibilities, the Internal Audit Manager and Internal Audit Staff are authorized to:

- Have unrestricted access to all functions, records, property, and personnel and not burdened by administrative requirements or screening procedures.
- Have full and free access to the Remuneration and Audit & Compliance Committee, Board of Directors and Management.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives without interference. If there is interference, Internal Audit Manager shall disclose it to the Remuneration and Audit & Compliance Committee and Board of Directors and discuss the implications.
- Obtain the necessary assistance of personnel of the association where they perform audits, as well as other specialized services from within or outside the association.

The Internal Audit Manager and Internal Audit Staff are not authorized to:

- Perform any operational duties for the association or its affiliates.
- Initiate or approve accounting transactions external to the Internal Audit Department.
- Direct the activities of any association employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to audit teams or to otherwise assist the Internal Auditors.

Documents and information obtained during the course of audit activities are held with appropriate confidentiality or handled in the same prudent and confidential manner as by those employees normally accountable for them.



Any disagreements with Management and instances that request for access or response is not provided in a reasonable time and manner shall be reported to the Corporate Governance & Supervisory Committee and Remuneration and Audit & Compliance Committee.

## **ORGANIZATION AND REPORTING STRUCTURE**

The Internal Audit Manager shall report directly to the Remuneration and Audit & Compliance Committee and Board of Directors and administratively to the association's President/CEO. To establish, maintain and assure that the Internal Audit Department has sufficient authority to fulfill its duties, the Remuneration and Audit & Compliance Committee and Board of Directors will:

- Approve the internal audit department's charter,
- Approve the risk-based internal audit plan,
- Approve the internal audit department's budget and resource plan,
- Receive communication from the Internal Audit Manager on the IAD's performance relative to its plan and other matters,
- Approve decisions regarding the appointment and removal of the Internal Audit Manager,
- Approve the remuneration of the Internal Audit Manager,
- Make appropriate inquiries of management and the Internal Audit Manager to determine whether there is inappropriate scope or resource limitations.

Following the conclusion of an audit engagement, an Audit Report is submitted to the Remuneration and Audit & Compliance Committee and Board of Directors. Audit reports are also circulated to all department heads involved in the activities audited. Internal Audit Department is responsible in monitoring the implementation of action plans by Management to address the audit issues and findings. All significant findings remain as open issues until resolved by the Management and cleared by the Internal Audit Department. Annually, the Internal Audit Manager will submit to the Remuneration and Audit & Compliance Committee and Board of Directors a written report on its accomplishments during the preceding year covering the areas under its responsibility.

## **INDEPENDENCE AND OBJECTIVITY**

To provide for the independence of the Internal Audit Department, its staff report to the Internal Audit Manager, who reports functionally to the Remuneration and Audit & Compliance Committee and Board of Directors and administratively to the President/CEO. Further, the Internal Audit Manager has direct access and can take directly to the Remuneration and Audit & Compliance Committee and Board of Directors any matter believed to be of significant magnitude and importance that require immediate attention.

All internal audit activities shall remain free of influence by any element in the association, including matters of audit selection, scope, procedures, timing, or report content to allow maintenance of an independent and objective mental attitude in rendering reports.

Internal Audit Department shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop and install procedures, prepare records, or engage in any other activity which they normally evaluate and which could reasonably be construed to compromise their independence. However, Internal Audit objectivity need not be adversely affected by the auditors' determinations and recommendations of the standards of control to be applied in the development of systems and procedures under review.

## **AUDIT SCOPE**

The scope of work of the Internal Audit Department encompasses the evaluation of the adequacy, effectiveness and efficiency of the risk management, control and governance processes to ensure:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information/report is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the association's control process.
- Significant legislative or regulatory issues impacting the association are recognized and addressed appropriately.

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

## **RESPONSIBILITIES**

The Internal Audit Manager and the Internal Audit Staff have responsibility to:

- Develop and implement a risk-based internal audit plan, submitted to the Remuneration and Audit & Compliance Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and/or the audit committees.
- Make recommendations regarding policies and procedures where appropriate;
- Provide internal audit reports that identify observations for improvements in internal controls, policies, and/or procedures and also make recommendations to mitigate identified risks;
- Follow up with management to facilitate the resolution of audit observations with the process owners who have direct involvement and accountability;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Provide a list of significant measurement goals and results to the audit committees.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the audit committees of the results.
- Participate in the systems development process and/or any special projects undertaken by the company (systems related or otherwise). However, the auditor's role is purely on a recommendatory basis. He will not be part of any decision-making process by the project team. This is to maintain the independence of the internal audit.

In performing their functions, the Internal Audit Department has no direct responsibility for any of the activities reviewed. In the end, the audit findings in the course of the review and appraisal, does not in any way relieve other persons of the responsibilities and accountabilities in the association.

## **PERIODIC ASSESSMENT**

The Internal Audit Department will maintain a quality assurance and improvement program that will cover all aspects of the internal audit department activities. The program will include an evaluation of the IAD's conformance with the Standards and an evaluation whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit department and identify opportunities for improvement.

The Internal Audit Manager will communicate to the Remuneration and Audit & Compliance Committee and Board of Directors the IAD's quality assurance and improvement program, including results of assessments.

## **APPROVAL AND AMENDMENT OF CHARTER**

The Board of Directors, thru the Remuneration and Audit & Compliance Committee, will review the Internal Audit Charter every two (2) years and approve changes as required.

Approved by:

**Mylene Joy S. Miranda**  
Internal Audit Manager  
(Date) 03.23.2023

**Virgilio S. Lacson**  
President /Chief Executive Officer  
(Date)

**Mary Ellen S. Lacson**  
Remuneration and Audit & Compliance Committee  
Chairman  
(Date)

**Jennifer S. Lacson**  
Chairman of the Board  
(Date)