



KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC. CHARTER OF INTERNAL AUDIT

PURPOSE AND MISSION

Kabuhayan sa Ganap na Kasarinlan Credit & Savings Cooperative or K-Coop's Internal Audit Services (IAS) Unit serves as an outsourced KMBA internal audit activity.

The purpose of Internal Audit Services (IAS) Unit is to provide independent, objective assurance and consulting services designed to add value and improve KMBA's operations.

The mission of internal audit is to enhance and protect organizational value by providing objective assurance, advice, and insight. The Internal Audit Services (IAS) Unit shall assist KMBA in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The Internal Audit Services Unit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF) including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (the "Standard"), and the Definition of Internal Auditing. Consequently, the Internal Audit Services Unit will adhere to KMBA's core values, relevant policies and standard operating procedures.

AUTHORITY

The Internal Audit Manager will report functionally to the audit committee and administratively (i.e., day-to-day operations) to the General Manager. To establish, maintain, and assure that the Internal Audit Services Unit has sufficient authority to fulfill its duties, the audit committee will:

- Accept the internal audit's charter and to be approved to the Board.
- Accept a timely, risk-based and agile internal audit plan and to be approved to the Board.
- Accept the internal audit budget and resource plan to be approved to the Board.
- Receive communications from the Internal Audit Manager on the Internal Audit Services Unit's performance relative to its internal audit plan.
- Make appropriate inquiries of management and the Internal Audit Manager to determine whether there is inappropriate scope or resource limitations.

The Internal Audit Manager will have unrestricted access to, and communicate and interact directly with, the audit committee, including in private meetings without management present.

The audit committee authorizes the Internal Audit Services Unit to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of KMBA in order to complete the engagement.

INDEPENDENCE AND OBJECTIVITY

The Internal Audit Services Unit will remain free from interference on 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, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their 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 judgements.

The Internal Audit Manager will confirm to the audit committee, at least annually, the organizational independence of the Internal Audit Services Unit.

The Internal Audit Manager will disclose to the audit committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal audit activities encompasses, but is not limited to, objective examinations and evaluation of the adequacy and effectiveness of governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's goals and objectives. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of KMBA's strategic objectives are appropriately identified and managed.
- The actions of KMBA's officers, directors, employees, and contractors are in compliance with its policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organization.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

RESPONSIBILITY

The Internal Audit Manager has the responsibility to:

- Submit, at least annually, to the General Manager and the audit committee an internal audit plan for review and approval.
- Communicate to the General Manager and the audit committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in KMBA's business, risks, operations, programs, systems, and controls.
- Communicate to the General Manager and the audit committee any significant interim changes to the internal audit plan.

- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the audit committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Services Unit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the audit committee or management.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Services Unit.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

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

The Internal Audit Manager will communicate to senior management and the audit committee on the internal audit activity's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years.

Approval/ Signatures:

Randy E. Laresma
Internal Audit Manager

Silvida Antiquera
General Manager

Philip Arnold Tuaño
Chairperson, Audit Committee

Cleofe Gettie Sandoval
Member, Audit Committee