




**Eton Properties Philippines, Inc.**

## **INTERNAL AUDIT CHARTER**

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	<b>INTERNAL AUDIT CHARTER</b>		Issue Date 2020
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## I. ROLE

Eton Properties Philippines, Inc. supports Internal Audit Department (IAD) as an independent appraisal function to examine and evaluate company activities as a service to management. The Roles of Internal Audit are to: (1) assist members of the organization in the effective discharge of their responsibilities by assessing efficiency and effectiveness of internal control systems, governance and risk management; and, (2) promote sound business practices to improve operations and economy.

## II. OBJECTIVES

The primary objective of IAD is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## III. STRUCTURE AND AUTHORITY

The internal audit function will report directly/functionally to the Chairman of the Audit and Risk Management Committee (ARC) and may report administratively to the President and Chief Executive Officer (CEO) or his designate. The internal audit activity shall have free access to the ARC and any other member of the Board of Directors as needed to fulfill its responsibilities.


IAD is responsible for the development, review and modification of audit policies, procedures, and goals for the conduct of audit. The Internal Audit function and external consultants / specialists engaged to undertake review, shall be authorized to:

- a. Have full and unrestricted access to all records, documents, and information that are required for the effective and complete audit review in accordance with the approved audit plan;
- b. Determine the scope of audit and the methodologies that must be adopted to accomplish audit objectives;
- c. Obtain the necessary assistance of personnel in the departments subject of audit review;
- d. Engage the assistance and participation of all relevant corporate units/officers in relation to investigative audits intended to facilitate the appropriate evaluative and/or disciplinary proceedings for the determination of the culpability of officers or employees who are charged with acts of fraud or dishonesty, or with gross negligence constituting a violation of the company's code of conduct; and,
- e. Commission the services of external professionals whenever necessary to fully carry out the approved audit plan.

## IV. INDEPENDENCE AND OBJECTIVITY

Independence and objectivity are essential to the effectiveness of internal auditing. To maintain the independence and objectivity of the Internal Audit Department (IAD), it must:

- a. Restrict its involvement in all activities subject to audit review, especially those pertaining to the implementation of internal control systems. These include, but are not limited to: (1) performing operational duties or be involved in a day to day internal checking systems of the operational business units; (2) drafting and/or implementing business system procedures or other internal control systems. However, the IAD may give recommendations for strengthening internal controls;
- b. Maintain its autonomy from management directives in the performance of its functions;

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- c. Report directly to the Audit and Risk Management Committee all the results of the internal audit work from planning, key issues identified during audit execution, draft and final audit reporting, and follow-up audit; and,
- d. The Chief Audit Executive (CAE) will confirm to the Audit and Risk Management Committee, at least annually, the organizational independence of Internal Audit Department (IAD).

## V. SCOPE OF INTERNAL AUDIT WORK

The scope of internal auditing focuses on providing an independent risk- based assessment to the Board, the Audit and Risk Management Committee and Senior Management, through: (a) reviewing the effectiveness of governance, risk management, and control processes in all areas of the Corporation; (b) promoting the right values and ethics; (c) ensuring effective performance management and accounting in the organization; (d) communicating risks and control information; and (e) coordinating the activities and information among the Board, external and internal auditors, and Management. This shall cover, among others:

- a. Perform regular and special audit as contained in the annual audit plan based on the Company's risk assessment;
- b. Conduct consulting and advisory services related to governance and control as appropriate for the organization;
- c. Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as intended;
- d. Review of the application and effectiveness of risk management process and risk assessment methodologies;
- e. Assessment of the accuracy and reliability of the accounting system and of the resulting financial reports;
- f. Evaluate specific operations at the request of the Board or Management, as appropriate; and,
- g. Monitors and evaluates governance processes.

## VI. AUDIT SERVICES

IAD shall provide:


- a. Assurance services that pertain to independent assessment on the adequacy and effectiveness of system of internal controls, risk management, and governance. This also includes providing reasonable assurance that the environment in information technology is operating by policy, and application systems are functioning as intended.
- b. Consulting services that are advisory in nature, and address governance, risk management and control processes. These include, but are not limited to: (1) special examinations relating to risk of fraud, controls, ethics violations , but should not be expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud; (2) review of planning, design, development and implementation of computer-based application or system; and (3) evaluate and assess significant merging/consolidation of business functions and new or changing services, processes.

## VII. REPORTING RESPONSIBILITIES

The Chief Audit Executive (CAE) shall report to Audit and Risk Management Committee an annual risk-based audit plan, staffing plan, and budget for the following year. The annual audit plan is to be developed based on a prioritization of the audit universe using internal audit's risk-based audit methodology. Any significant deviation from the formally approved audit plan shall be communicated to the Audit and Risk Committee through periodic activity reports.

The IAD shall formulate and implement the audit plan that contains the procedure for reporting audit findings that require management action. A written audit report will be prepared and issued by the Chief Audit Executive (CAE) following the conclusion of each audit and will be distributed, as



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appropriate, to the Audit and Risk Management Committee. The head of the activity or department receiving the report will respond to any audit recommendations; the responses will be included in the finalized report. The response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations that will not be addressed. Refer to IAD policies and procedures for detailed reporting guidelines.

### **VIII. PROFESSIONAL STANDARDS**

The IAD shall comply with the International Standards for the Professional Practice of Internal Auditing (ISPPIA), the Company's Business Conduct, and relevant code of ethics promulgated by the related professional organizations (e.g., PICPA, IIA, ACFE, ISACA, etc.). The IAD shall ensure that:

- a. All internal audit assignments are undertaken with due professional care;
- b. Audit work is performed by suitably skilled, experienced and competent auditors;
- c. Audit programs are implemented in accordance with professional standards; and,
- d. All of its members have access to training that is required to maintain their professional development.

### **IX. COORDINATION WITH THE EXTERNAL AUDITOR AND SUPERVISORY AUTHORITY**

The IAD may use the work of external auditors and supervisory authority to provide assurance related to activities within the scope of internal auditing. Internal auditors need access to the external auditors' presentation materials and Management Letters. Matters discussed in presentation materials and included in Management Letters need to be understood by the CAE and used as input to internal auditors in planning the areas to emphasize in future internal audit work.


The CAE is responsible for regular evaluations of the coordination between internal and external auditors or supervisory authority. Such evaluations may also include assessments of the overall efficiency and effectiveness of internal and external audit activities, including aggregate audit cost. The CAE communicates the results of these evaluations to Senior Management and the Board, including relevant comments about the performance of external auditors.

### **X. QUALITY ASSURANCE**

IAD shall implement a quality of measure to ensure integrity, efficiency, and professionalism in all the work being performed. Quality review needs to be periodically assessed to ensure that the IAD's purpose, authority, and responsibility, as defined in the Internal Audit Charter, continue to be adequate to enable the activity to accomplish its objectives. Results of the assessment shall be communicated to the Audit and Risk Committee.

### **XI. REVIEW OF CHARTER**

This charter will be reviewed whenever necessary to ensure an appropriate level of cost-effective and value-driven internal audit service to EPPI.

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**ENDORSED FOR APPROVAL BY:**

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 Member, Audit and Risk Committee

**NOTED BY:**

**Kyle C. Tan**  
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