

## **BANK OF THE PHILIPPINE ISLANDS INTERNAL AUDIT CHARTER**

### **VISION**

BPI Internal Audit to be consistently recognized as a valued and effective organization, supportive of the goals and objectives of BPI Group of Companies.

### **MISSION STATEMENT**

BPI Internal Audit will contribute in achieving the objectives of BPI Group of Companies, and add value to the organization by providing risk-based and objective assurance, advice, and insight.

BPI Internal Audit is committed in maintaining competent and skilled professionals with the highest degree of integrity and ethical conduct, trusted and relied upon by stakeholders.

### **SCOPE OF WORK**

The scope of work of the Internal Audit is to determine whether the organization's network of risk management, control, and governance processes, as designed and established by management, is adequate and functioning in a manner to ensure:

- a. Risks are appropriately identified and managed.
- b. Coordination with the various governance groups occurs as needed.
- c. Significant financial, management and operational information are reliable, and have integrity.
- d. Employees, directors, and contractors' actions comply with policies, standards, procedures, and applicable laws and regulations.
- e. Resources are acquired economically, used efficiently, and adequately protected.
- f. Objectives, plans and programs are achieved.
- g. Quality and continuous improvement are fostered in the organization's systems, controls and processes.
- h. Significant legislative or regulatory issues affecting the organization are recognized and addressed appropriately.
- i. Opportunities for enhancements on management control, profitability, and other areas that may be identified during audits are communicated to the appropriate level of management.
- j. Operations or programs are carried out effectively and efficiently.

### **ACCOUNTABILITY**

The Chief Audit Executive, in the discharge of his/her duties, shall be accountable to management and the Audit Committee to:

- a. Provide periodic assessment on the adequacy and effectiveness of the organization's processes for managing its risks and instituting controls in the areas set forth under the mission and scope of work.

- b. Report significant issues related to the processes and control activities of the organization and its affiliates, including corrective actions, resolutions and potential improvements, as necessary.
- c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of audit resources.
- d. Coordinate with external auditor and other assurance units or those providing oversight on other control and monitoring functions (risk management, compliance, security, legal, ethics, and environmental).

## **INDEPENDENCE**

To provide for the independence of the Internal Audit, its personnel report to the Chief Audit Executive, who reports functionally to the Audit Committee and administratively to the President in a manner outlined in the above section on Accountability. It will include as part of its reports to the Audit Committee a regular report on internal audit personnel.

## **RESPONSIBILITY**

The Chief Audit Executive and personnel of the Internal Audit have the responsibility to:

- a. Periodically review the Internal Audit charter and present it to the Audit Committee for approval.
- b. Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management. Submit the plan, as well as periodic updates/significant changes thereto, to the Audit Committee for review and approval.
- c. Implement the annual audit plan, as approved, including, as appropriate, any special tasks or projects (e.g. fraud & information security incident investigations) requested by management and the Audit Committee.

No consulting activity shall be accepted and performed unless with prior approval of the Audit Committee.

- d. Maintain sufficient professional audit personnel with adequate knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- e. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- f. Issue periodic reports to the Audit Committee and management summarizing results of audit activities.
- g. Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- h. Provide a list of significant measurement goals and results to the Audit Committee.
- i. Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.
- j. Participate in major projects of critical applications in advisory capacity, particularly on system security, controls and other relevant issues.

- k. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

## **AUTHORITY**

The Chief Audit Executive and personnel of Internal Audit are authorized to:

- a. Have unrestricted access to all functions, records, property, and personnel.
- b. Have full and free access to the Audit Committee.
- c. Meet with non-executive board members regularly (together with heads of compliance, risk management, and external auditor), other than in meetings of the audit, risk oversight, corporate governance, and related party transaction committees, in the absence of senior management.
- d. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives, and issue reports.
- e. Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization in order to complete the engagement.

The Chief Audit Executive and personnel of Internal Audit are not authorized to:

- a. Perform any operational duties for the organization or its affiliates.
- b. Initiate or approve accounting transactions external to Internal Audit.
- c. Direct the activities of any organization employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

## **STANDARDS OF AUDIT PRACTICE**

The Internal Audit will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* of The Institute of Internal Auditors (IIA), and standards set forth by the Standards Board of the *Information System Audit and Control Association* (ISACA), as applicable.