



Internal Audit Department Charter

MISSION AND SCOPE OF WORK

The mission of the internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve operational efficiency. 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.

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

- Risks are appropriately identified and managed, including technology risks.
- Significant financial, managerial, and operating information 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 organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

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

ACCOUNTABILITY

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

- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning resolution of such issues.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with the other control and monitoring functions (risk management, security, legal, external audit).
- Report significant governance issues

INDEPENDENCE

To provide for the independence of the Internal Audit Department, its personnel report to the Chief Audit Executive, who reports functionally to the Board Audit Committee and administratively to the Chairman, 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 staff of the Internal Audit Department have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the audit 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 committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- 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.
- Issue bi-monthly reports to the Chairman and quarterly reports to the Audit Committee summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.

- Provide a list of significant measurement goals and results to the audit committee.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the audit committee of the results.
- 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.
- On a case to case basis and as agreed with management, 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.
- Follow through on the implementation of action plans committed by management to mitigate identified risks and address control lapses.
- Help foster a strong internal control environment through education and training within and across Paxys and its subsidiaries.

AUTHORITY

The Chief Audit Executive and staff of the Internal Audit Department are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- 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.

The Chief Audit Executive and staff of the Internal Audit Department are not authorized to:

- Perform any operational duties for the organization or its affiliates.
- Initiate or approve accounting transactions external to the internal auditing department.
- Direct the activities of any organization employee not employed by the internal auditing department, 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 Department will ensure compliance to the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors and the *Information Systems Audit & Control Association (ISACA) Standard* for I.S. Auditing.

(Signed)

Mr. Anton Lichauco
Audit Committee Chairman

(Signed)

Mr. Tarcisio Medalla
Chairman, Paxys, Inc.