



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF CUSTOMS

January 15, 2018

CUSTOMS MEMORANDUM CIRCULAR
NO. 15-2018

To: All Deputy Commissioners
All Directors and Division Chiefs
All District/Port Collectors
And Others Concerned

Subject: Department Order No. 002-2018/DOF Internal Audit Service

Attached is a copy of the Department of Finance Order No. 002-2018 entitled: "**DEPARTMENT OF FINANCE – INTERNAL AUDIT SERVICE (DOF-IAS) CHARTER.**"

The purpose of DOF-IAS is to provide independent, objective assurance and advisory services designed to add value and improve the operations of the Department, its bureaus and attached agencies.

For your information and guidance.

For record purposes, please confirm the dissemination of this circular throughout your offices within fifteen (15) days from receipt hereof.


ISIDRO S LAPEÑA, PhD, CSEE
Commissioner *IS*



JAN 16 2018

Internal Admin. Group
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Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

DEPARTMENT ORDER NO. 002.2018
December 20, 2017

SUBJECT: DEPARTMENT OF FINANCE - INTERNAL AUDIT SERVICE (DOF- IAS) CHARTER

WHEREAS, the mandate of the DOF- IAS is provided by Republic Act No. 3456 or "Internal Auditing Act of 1962" as amended by R.A. No. 4177, Administrative Order No. 278, s. 1992 and Administrative Order No. 70, s. 2003 - Strengthening of the internal control systems of government offices, agencies, government-owned and/or controlled corporations, including government financial institutions, state universities and colleges, and local government units.

WHEREAS, DOF Department Order No. 35-07, s. 2007 (Establishing / creating Department of Finance Internal Audit Office under the Office of the Secretary) which covers DOF, its bureaus and attached agencies and subsequent issuance providing for the approval of organizational structure and staffing pattern of the Internal Audit Service through Executive Order No. 366, s. 2007 otherwise known as the rationalization plan in the executive branch of government.

NOW THEREFORE, this DOF- IAS Charter is hereby created to establish and document the purpose, authority and function/responsibility of DOF- IAS within Department of Finance, its bureaus and attached agencies.

1.0 Purpose

The purpose of DOF- IAS is to provide independent, objective assurance and advisory services designed to add value and improve the operations of the DOF, its bureaus and attached agencies. DOF- IAS helps the Department achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2.0 Authority

2.1 The Head of the Internal Audit shall report functionally to the DOF Secretary and administratively to the designated Undersecretary. To establish, maintain, and assure that the DOF- IAS has sufficient authority to fulfill its duties, the DOF Secretary shall:

- 2.1.1 Approve the DOF-IAS' charter;
 - 2.1.2 Approve the risk-based internal audit plan;
 - 2.1.3 Receive communications from the Head of Internal Audit on the DOF-IAS' performance relative to its plans and programs;
 - 2.1.4 Approve decisions regarding the appointment and removal of the Head of Internal Audit; and
 - 2.1.5 Make appropriate inquiries of management and the DOF-IAS to determine whether there is inappropriate scope or resource limitations.
- 2.2 Administrative reporting by the DOF-IAS to the designated Undersecretary facilitates the day-to-day operations of the DOF-IAS. Administrative reporting includes but not limited to:
- 2.2.1 Budgeting and management accounting;
 - 2.2.2 Human resource administration, including personnel evaluations and compensation;
 - 2.2.3 Internal communications and information flows; and
 - 2.2.4 Administration of the internal audit activities' policies and procedures.
- 2.3 The DOF Secretary authorizes the DOF-IAS to:
- 2.3.1 Have full, free, and unrestricted access to all functions, records, property, and personnel of the DOF, its bureaus and attached agencies in line with performance of internal audit services, subject to accountability for confidentiality and safeguarding of records and information.
 - 2.3.2 Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives and issue reports.
 - 2.3.3 Obtain assistance from the necessary personnel in units of the DOF, as well as other specialized services from within or outside the DOF.

3.0 Independence

- 3.1 The Head of Internal Audit will ensure that the DOF-IAS remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the DOF Secretary.
- 3.2 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.



- 3.3 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, including:
- 3.1.1 Assessing specific operations for which they had responsibility within the previous year.
 - 3.1.2 Performing any operational duties for DOF or its bureaus and attached agencies.
 - 3.1.3 Initiating or approving transactions external to the DOF-IAS.
 - 3.1.4 Directing the activities of any DOF employee not employed by the DOF-IAS, except to the extent that such employees have been appropriately assigned to DOF-IAS or to otherwise assist internal auditors.
- 3.4 The Head of Internal Audit shall confirm to the DOF Secretary, at least annually, the organizational independence of the DOF-IAS. The Head of Internal Audit will disclose to the DOF Secretary any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

4.0 Scope of Internal Audit Activities

- 4.1 The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the DOF Secretary, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes of DOF. Internal audit assessments include evaluating whether:
- 4.1.1 Risks relating to the achievement of DOF's strategic objectives are appropriately identified and managed.
 - 4.1.2 The actions of DOF's officials and employees, and contractors of goods and services are in compliance with DOF's policies, procedures, and applicable laws, regulations, and governance standards.
 - 4.1.3 The results of operations or programs are consistent with established goals and objectives.
 - 4.1.4 Operations or programs are being carried out effectively and efficiently.
 - 4.1.5 Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact DOF.
 - 4.1.6 Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
 - 4.1.7 Resources and assets are acquired economically and ethically, used efficiently, and protected adequately.

- 4.2 The Head of Internal Audit shall report periodically to DOF Secretary regarding:
- 4.2.1 DOF-IAS' purpose, authority, and responsibility.
 - 4.2.2 DOF-IAS' plan and performance relative to its plan.
 - 4.2.3 DOF-IAS' conformance with applicable Code of Ethics and Standards, and action plans to address any significant conformance issues.
 - 4.2.4 Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by DOF Secretary.
 - 4.2.5 Results of audit engagements or other activities.
 - 4.2.6 Resource requirements.
- 4.3 The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance service providers as needed. The DOF-IAS may perform advisory services, the nature and scope of which will be agreed with the process owners, provided the DOF-IAS does not assume management responsibility.
- 4.4 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities shall be communicated to the DOF Secretary.

5.0 Responsibility

- 5.1 The Head of Internal Audit has the responsibility to:
- 5.1.1 Submit, at least annually, to the DOF Secretary a risk-based internal audit plan for review and approval.
 - 5.1.2 Communicate to DOF Secretary the impact of resource limitations on the internal audit plan.
 - 5.1.3 Review and adjust the internal audit plan, as necessary, in response to changes in DOF's mandate, risks, operations, programs, systems, and controls.
 - 5.1.4 Communicate to DOF Secretary any significant interim changes to the internal audit plan.
 - 5.1.5 Ensure engagements of the internal audit plan are 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 process owners and DOF Secretary.
 - 5.1.6 Follow up on engagement findings and corrective actions, and report periodically to DOF Secretary any corrective actions not effectively implemented.
 - 5.1.7 Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

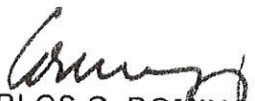


- 5.1.8 Ensure the DOF-IAS collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- 5.1.9 Ensure emerging trends and successful practices in internal auditing are considered.
- 5.1.10 Ensure trends and emerging issues that could impact DOF are considered and communicated to DOF Secretary as appropriate.
- 5.1.11 Establish and ensure adherence to policies and procedures designed to guide the DOF-IAS.
- 5.1.12 Ensure adherence to DOF's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to DOF Secretary.
- 5.1.13 Ensure conformance of the DOF-IAS with the applicable Standards.
- 5.1.14 Conduct or assist in the investigations of suspected fraudulent activities and notify DOF Secretary of the results thereof.
- 5.1.15 Review this internal audit charter periodically and present any changes to it to the DOF Secretary.

6.0 Quality Assurance and Improvement Program

The DOF-IAS shall maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the DOF-IAS' conformance with the applicable Standards and an evaluation of whether internal auditors conform to applicable Code of Ethics. The program will also assess the efficiency and effectiveness of the DOF-IAS and identify opportunities for improvement.

This Order shall take effect immediately and all concerned shall be guided accordingly.


CARLOS G. DOMINGUEZ
Secretary
JAN 04 2018

