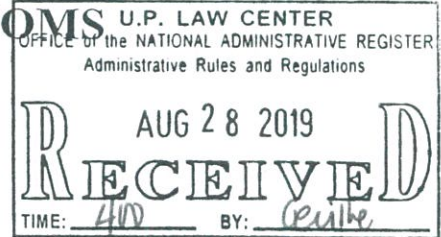




REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF CUSTOMS**

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**CUSTOMS MEMORANDUM ORDER (CMO)**  
NO. 45-2019

**SUBJECT: GUIDELINES AND PROCEDURES IN THE CONDUCT OF  
INTERNAL QUALITY MANAGEMENT SYSTEM AUDIT (IQMSA)**

**Section 1. Scope.** This Order covers the guidelines and procedures pertaining to the conduct of IQMSA in all Groups, Services, Divisions, Sections, Offices and Units under the Office of the Commissioner and all Collection Districts and its Sub-Ports and Satellite Customs Offices.

**Section 2. Objectives.**

- 2.1. To provide a systematic and disciplined approach in evaluating and improving the Quality Management System of the Bureau;
- 2.2. To review and evaluate the application of accounting, financial and other operating controls of the Bureau;
- 2.3. To ensure that all assets and other resources of the Bureau are accounted for and safeguarded against waste, loss, unauthorized use or misappropriation;
- 2.4. To evaluate the quality performance of all offices of the Bureau in carrying out its mandated functions;
- 2.5. To ensure compliance to existing BOC policies, procedures, laws, rules and regulations and to other regulatory government agencies;
- 2.6. To recommend and ensure that corrective actions on administrative and operational deficiencies observed are properly implemented; and
- 2.7. To ensure the continuity and success of the International Organization for Standardization (ISO) 9001 Quality Management System activities in the Bureau.

**Section 3. General and Administrative Provisions.**

- 3.1. The audit shall be conducted in all offices of the Bureau within a period to be determined by the Interim Internal Quality Management System Office (IIQMSO).

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- 3.2. The Audit Program shall be prepared by the Internal Quality Auditor, reviewed by the Lead Auditor and duly approved by the Head of the IIQMSO. It shall serve as the primary basis for the conduct of internal audit and the duration shall vary depending of the type of audit.
- 3.3. The IQMSA shall cover all processes and resources of the Bureau. The IIQMSO shall have full access to records and information, except classified information.
- 3.4. Every audit shall generally be coordinated with the Auditee prior to the engagement to facilitate the preparation of all the necessary documents and requirements including the availability of the officials/personnel concerned during the scheduled audit.
- 3.5. The Audit Report shall be submitted with the Office of the Commissioner. The Commissioner may require the Auditee/Office concerned to implement the Action Plan on Audit Findings within thirty (30) calendar days upon receipt of the Audit Report. Non-compliance to any Audit Report-related directives of the Commissioner shall be a ground for possible administrative sanction.
- 3.6. The IIQMSO shall be the repository of all internal audit reports and other related documents.

**Section 4. Audit Phases.** The audit shall cover the following audit phases:

**4.1. Audit Planning Phase**

- a. The IIQMSO shall convene all officials and staff of the office to prepare the Annual Audit Program. The Program shall consider the following:
  - a.1. Directives of the Commissioner;
  - a.2. Risk factors on a Bureau-wide scale; and
  - a.3. Availability of resources.
- b. The IIQSMO Head shall approve the General Observation List or Audit Questionnaires prepared by the Lead Auditors on an annual basis, subject to revisions that may arise during the audit engagement.
- c. The designated Audit Team shall prepare the Audit Plan per engagement and inform the office concerned at least ten (10) days prior to the schedule.

**4.2. Audit Implementation Phase**

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- a. The Opening Conference shall commence the audit engagement which must be attended by the highest available ranking official and key personnel of the office concerned. The Lead Auditor shall present the purpose and scope of the audit/covered processes. The Auditee shall then present the implementing procedures observed by the Office.
- b. The Audit Team shall review the compliance of the Auditee with the applicable policies. The compliance review covers examination of records to validate the appropriateness of the procedures, and completeness of the working papers; and interview of officials/staff concerned.
- c. The Audit Team shall classify the observations as:
  - c.1. Findings;
  - c.2. Best practices; or
  - c.3. Issues.
- d. The initial audit findings shall be discussed with the Auditee for further validation and management comment. All Audit Observations shall be presented by the Audit Team to the Lead Auditor for review prior to the Closing Conference.
- e. The Closing Conference shall be held during the last day of fieldwork and must be attended by the highest available ranking official and key personnel of the office concerned. The Audit Team shall present all Audit Observations.
  - e.1. The Audit Team may further clarify the audit findings and audit recommendations; and for the Auditee to expound on their management comment including presentation of readily available verifiable proof.
  - e.2. The Lead Auditor shall then determine if the management comment is sufficient to consider the Findings as acceptable, complied, or open.
  - e.3. The Audit Findings classified as open would require agreement between the Lead Auditor Team and the highest available ranking official of the Auditee on specific Action Plan and timeline within which to implement the plan. Should there be failure of agreement, the Auditee shall elevate the matter to the IIQMSO Head for final determination.
  - e.4. The Audit Findings requiring immediate actions shall be acted upon by the Auditee not later than ten (10) working days after the Closing Conference, otherwise, the same shall be classified as open findings in the Audit Report.

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**4.3. Reporting Phase**

- a. The IIQMSO Head or Lead Auditor shall designate an auditor to consolidate all Audit Observations to be contained in the Audit Report.
- b. The Audit Report shall be submitted to the Commissioner and the Auditee shall be provided with a copy.
- c. The Audit Report shall include the following:
  - b.1. Background of the Audited Office; and
  - b.2. All Audit Observations, with remarks on Findings as either "Complied" or "For Monitoring."

**4.4. Monitoring Phase**

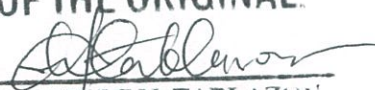
- a. The IIQMSO Head shall designate a Monitoring Team to handle the implementation review of compliance of Auditees with the Action Plans.
- b. The Report of the Monitoring Team shall be presented to the IIQMSO Head and Lead Auditors to determine if the Findings may be considered as "Complied"
- c. Failure of the Auditee to completely implement the Action Plans within the timelines necessary to close the Audit Findings shall be reported by the IIQMSO Head to the Commissioner.

**Section 5. Duties and Responsibilities.**

**5.1. IIQMSO**

- a. Plans the internal audit's scope and schedule;
- b. Coordinates the internal audit plan with the Auditee;
- c. Performs the internal audit as scheduled;
- d. Ensures the completion and verification of audit reports, including COA findings and the implementation of actions taken for each non-conformances or findings;
- e. Submits the Audit Report to the Commissioner;
- f. Validates the effectiveness and efficiency of remedial and corrective actions implemented by the auditee;

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- g. Assists all offices for their ISO 9001 QMS Certification; and
- h. special audit engagements as may be directed by the Commissioner.

**5.2. Auditee**

- a. Prepares the necessary audit documents for review and examination of the audit team;
- b. Ensures the availability of the officials or personnel during the audit;
- c. Exercises due diligence on the submission of compliance to Action Plans within the timelines on Audit Findings as specified in the Audit Report; and
- d. Performs such other instructions from the IIQMSO in relation with the internal audit being conducted.

**Section 6. Periodic Review.** Unless otherwise provided, this CMO shall be reviewed every three (3) years and be amended and revised, if necessary.

**Section 7. Separability Clause.** If any part of this CMO is declared unconstitutional or contrary to existing laws, the other parts not so declared shall remain in full force and effect.

**Section 8. Effectivity.** This CMO shall take effect immediately.

**REY LEONARDO B. GUERRERO**

✓ Commissioner ✓

AUG 27 2019



BOC-03-01416

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