



Republic of the Philippines
**DEPARTMENT OF
ENVIRONMENT AND
NATURAL RESOURCES**

DENR ADMINISTRATIVE ORDER
No. 07
Series of 1993

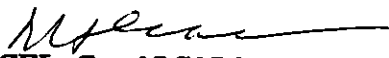
FEB 23 1993

SUBJECT : Installation of Internal Audit Service

In the interest of the service and pursuant to Administrative Order No. 278 dated April 28, 1992 directing the strengthening of the Internal Control Systems of Government Offices, Agencies, Government-Owned and/or Controlled Corporations, including Government Financial Institutions and Local Government Units in their operations, an Internal Audit Service is hereby created at the Department Proper, Staff Bureaus and the 14 Regional Offices whose functions shall be as follows:

1. Assist management in the effective discharge of their responsibilities to ensure efficiency, effectiveness and economy in the operation of the Department as well as detect and prevent fraud, waste in the use of funds and property.
2. To safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed management policies.

This Order shall take effect immediately.


ANGEL C. ALCALA
Secretary

MANILA

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 278

DIRECTING THE STRENGTHENING OF THE INTERNAL CONTROL SYSTEMS OF GOVERNMENT OFFICES, AGENCIES, GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS AND LOCAL GOVERNMENT UNITS, IN THEIR OPERATIONS

I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. In addition to the provisions of Section 1 of Administrative Order No. 119, Series of 1989, all heads of government offices, agencies, government-owned and/or controlled corporations, including government financial institutions and local government units, shall organize Internal Audit Services (IAS) in their respective offices, as follows:

1.1 The Internal Audit Service (IAS) shall be an integral part of the office/organization and shall assist the institution management in the effective discharge of its responsibilities insofar as the same would not encroach on or be adversarial with those of the auditors of the Commission on Audit. It shall function in accordance with the policies established by the provisions of Republic Act No. 3456, as amended by Republic Act No. 4177, and shall perform staff functions with primary responsibilities encompassing the examination and evaluation of the adequacy and effectiveness of internal control and the quality of performance. The internal audit activities shall include the following:

1.1.1 Ascertaining the reliability and integrity of financial and operational information and the means used to identify, measure, classify and report such information;

1.1.2 Ascertaining the extent of compliance and reviewing the systems established to ensure compliance with government policies, plans and procedures, laws and regulations which have impact on operations;

1.1.3 Ascertaining the extent to which the assets and other resources of the institutions are accounted for and safeguarded from losses of all kinds;

1.1.4 Reviewing and evaluating the soundness, adequacy and application of accounting, financial and other operating controls and promoting the most effective control at reasonable cost;

1.1.5 Reviewing operations or programs to ascertain whether or not results are consistent with established objectives and goals and whether or not such programs are being carried out as planned;

1.1.6 Evaluating the quality of performance of groups/ individuals in carrying out their assigned responsibilities; and

1.1.7 Recommending corrective actions on operational deficiencies observed.

2.0 In addition to its above duties, the IAS may be called upon to perform special assignments by the Head of the Agency. However, it shall not be responsible for or required to participate in procedures which are essentially a part of regular operating activities or in operations which are the primary responsibility of another unit in the organization. The IAS shall be detached from all functions of routine operating character, such as the following:

2.1 Pre-audit of vouchers and counter-signature of checks;

2.2 Inspection of deliveries, although the internal auditor may, as part of his examination, observe inspection;

2.3 Preparation of treasury and bank reconciliation statements;

2.4 Development and installation of systems and procedures; however, in exceptional cases, the internal auditor may assist by way of giving suggestions;

- 2.5 Taking physical inventories; however, the internal auditor may review the plans in advance and observe and test-check the accuracy of counting, costing and summarizing;
 - 2.6 Maintaining property records; and
 - 2.7 All other activities related to operations.
- 3.0 The IAS shall be provided with sufficient support from the top management to gain the cooperation/confidence of the auditee.
- 3.1 In the performance of their function, the internal auditors should be able to exercise independence to render impartial and unbiased judgments essential to the proper conduct of the audit.
 - 3.2 The auditor should be able to gather sufficient evidential matters in support of his findings and recommendations.
 - 3.3 The Head/Chief of the IAS shall report directly to the Head of the Agency.
- 4.0 Internal audit shall be performed with proficiency and due professional care.
- 4.1 The IAS shall provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audit to be performed.
 - 4.2 Internal auditors shall possess/obtain the knowledge, skills and discipline needed to carry out the audit responsibilities of the IAS.
 - 4.3 The IAS shall provide assurance that internal audits are properly supervised and performed with due professional care.
 - 4.4 The IAS shall conduct the audit in conformity with the standards of the internal audit profession.
 - 4.5 The Code of Ethics promulgated by the Association of Government Internal Auditors (AGIA) shall be strictly

observed to maintain high standards of honesty, objectivity, diligence and loyalty.

SEC. 2. In order to best serve the interests of their Offices, in particular, and of the government service, in general, all Heads and Staff of the Internal Audit Service shall cooperate and actively participate in the activities of the AGIA.

SEC. 3. The AGIA shall ensure that internal audit practices, methods and procedures are improved and updated through continuing education and that all audit works for each government agency are conducted in conformity with the standards of the internal audit profession.

SEC. 4. Agencies without an internal audit service/unit shall constitute one to be staffed by assigning or deploying personnel from other units of the Agency.

SEC. 5. This Administrative Order shall take effect immediately.

Done in the City of Manila, this 28th day of April, in the year of Our Lord, nineteen hundred and ninety-two.

Prayer B. Aquino

By the President:

Franklin M. Drilon
FRANKLIN M. DRILON

Executive Secretary