

INTERNAL AUDIT CHARTER

This Charter sets out the mission, purpose, authority, responsibility, its independence and objectivity and the scope of Internal Audit works as approved by Top Management and accepted by the Board of Directors and Audit Committee.

This Charter is consistent with and conforms to the local and international Professional Standards as provided by the Institute of Internal Auditing (IIA):

I. MISSION

The Visayan Surety and Insurance Corporation Internal Audit Department's mission is to provide an independent and objective assurance and consulting activity aimed to improve operations across the company.

II. PURPOSE

Internal Audit Department is established within Visayan Surety and Insurance Corporation to assist the Board, Audit Committee and VSIC Management in the accomplishment of its objectives using a systematic approach to evaluate and improve the effectiveness of its internal controls, risk management and governance processes. The main function of the Department is to examine and evaluate the company's activities and prepare the report thereof addressed to the Top Management.

III. AUTHORITY

- All engagement of Internal Audit is under strict accountability for confidentiality and safeguarding of records and information.
- Internal Audit is authorized to a complete and unrestricted access to all the company's personnel, records, reports, activities, and physical properties pertinent to carrying out any engagement.
- Internal Audit has the full authority to perform examinations and investigations of the company's operations, activities and financial records.
- Internal Audit is free to appraise plans, policies, guidelines, processes, and procedures.
- Internal Audit has no direct authority to make management decisions requiring anyone to take action or to implement its recommendation.

IV. RESPONSIBILITY

- Internal Audit is responsible for ensuring the business adherence to company policies, procedures, legislations and regulations.
- Internal Audit is responsible in assessing the company financial risk, safeguarding its assets, and evaluates internal controls and makes recommendations on how to improve.
- Internal Audit checks the accuracy of the financial reports by gathering and analyzing data, records and information.
- Internal Audit shall plan, conduct fieldwork, report the results and follow-up on the corrective action plans.

V. SCOPE OF WORK

The ultimate purpose of Internal Audit is the protection of the properties and assets of the business not only from fraud but also from other factors like wastage or any form of loss. The scope of work will determine the amount of time spent and the documents involved in an audit. The scope will therefore establish how deep an audit is being conducted.

VI. INDEPENDENCE AND OBJECTIVITY

- Internal Audit shall adhere to the Institute of Internal Audit Definition of Internal Auditing “Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing”.
- To ensure independence and objectivity of the internal audit function, the Department shall be guided by the principles of the professional practice of internal auditing and must ensure to carry out its function in an unbiased manner.
- Internal Audit shall have no direct operational responsibility or authority over any activities examined or audited.
- Audit activities shall be free from any internal or external interference or obstruction in order to make an unbiased judgement and decisions.

Any amendment or addendum to this Charter shall be consistent with the adherence to the International Standards for the Professional Practice of Internal Auditing and shall be approved by Top Management and accepted by the Board and Audit Committee.

Approved by:

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Chairman of the Board