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HCPG/CGIA

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CIRCULAR

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**COAST GUARD INTERNAL AUDIT CHARTER**

**1. LEGAL BASES AND REFERENCES:**

- 1.1 Republic Act Nr 3456
- 1.2 Administrative Order Nr 119 dated 29 March 1989
- 1.3 Administrative Order Nr 278 dated 28 April 1992
- 1.4 Administrative Order Nr 70 dated 14 April 2003
- 1.5 DBM Budget Circular 2004-4 dated 22 March 2004
- 1.6 DBM Circular Letter 2008-5 dated 14 April 2008
- 1.7 DBM Circular Letter 2011-5 dated 19 May 2011
- 1.8 DND DO Nr 99, dated 09 June 2004
- 1.9 HPN ONA Circular Nr 7 dated 24 August 1993
- 1.10 HPN OTNA/OTNIA Circular Nr 9 dated 11 September 2009
- 1.11 PCG Circular Nr 11 dated 20 May 2000

**2. PURPOSE:**

This Circular named as Charter of Coast Guard Internal Audit amends the PCG Circular Nr. 11 dated 20 May 2000 to establish the definite guidelines of Internal Auditing providing the efficient and effective accomplishment of Coast Guard Internal Audit functions.

**3. DEFINITION:**

Internal Audit is the evaluation of management controls and operations performance, and the determination of the degree of compliance with laws, regulations, managerial policies, accountability measures, ethical standards and contractual obligations. It involves the appraisal of the plan of organization and all the coordinated methods and measures in order to recommend courses of action on matters relating to operations and management control.

Internal Audit, being a separate component of internal control, is instituted to determine whether internal controls are well designed and properly operated. The results of internal audit are provided to CPCG to assist management in achieving organizational objectives in an effective, efficient, economical and ethical manner.

#### 4. MISSION:

Coast Guard Internal Audit is an independent and objective service, designed to add value and improve the Philippine Coast Guard's operations. It helps the Philippine Coast Guard accomplish its objective by bringing a systematic and disciplined approach in evaluating and improving the effectiveness of risk management, control and governance processes.

#### 5. SCOPE:

Internal Audit is an integral part of the internal control system of public service organizations. The scope of internal audit is broad and involves all matters relating to operations and management control.

#### 6. FUNCTIONS:

6.1. Pursuant to Administrative Code of 1987 and as reiterated in the NGICS, the functions of the Coast Guard Internal Audit are as follows:

6.1.1 Advise CPCG on all matters relating to management control and operations audits;

6.1.2. Conduct management and operations audits of PCG functions, programs, projects, activities with outputs, and determine the degree of compliance with their mandate, policies, government regulations, established objectives, system and procedures/processes and contractual obligations;

6.1.3. Review and appraise systems and procedures, organizational structures, asset management practices, financial and management records, reports and performance standards of the Department proper, Bureaus and Regional offices;

6.1.4. Analyze and evaluate management deficiencies and assist top management by recommending realistic courses of action; and

6.1.5. Perform other related duties and responsibilities as may be assigned or delegated by CPCG or as prescribed by law.

6.2. Functions related to Internal Control among the Operating Units, Support Services Units and Coast Guard Internal Audit are as follows:

	OPERATING UNITS	SUPPORT SERVICE UNITS	COAST GUARD INTERNAL AUDIT
<b>Nature and Purpose of Review</b>	1. Performance review of operations, processes and	1. Review whether monitoring is applied at all levels within and across	1. Appraise whether internal control components are well designed and

	<p>activities; and</p> <p>2. Compliance review of operations, processes and activities.</p>	<p>the agency and sector.</p>	<p>properly implemented; and</p> <p>2. Evaluate whether internal control objectives are achieved.</p>
<p><b>Scope, Coverage and Frequency</b></p>	<p>1. Performance is reviewed on a regular basis. If actual accomplishments do not meet established objectives or standards, the processes and activities established to achieve the objectives should be reviewed to determine if improvements are needed; and</p> <p>2. Operations, processes and activities are periodically reviewed to ensure that they are in compliance with current regulations, policies and other requirements.</p>	<p>1. Planning, administrative, financial, management, and other support systems and processes;</p> <p>2. Existing methods, measures, and other support systems and processes;</p> <p>3. On-going monitoring and on a real-time basis; and</p> <p>4. Ingrained in the operations.</p>	<p>1. Compliance, management and operations audits;</p> <p>2. Evaluate the control effectiveness of operating systems and support systems for a specific period or date;</p> <p>3. Evaluate whether operations are conducted effectively, efficiency, ethically, and economically; and</p> <p>4. Takes place "after the fact" and cover a complete cycle of operations.</p>
<p><b>Action(s) to be taken</b></p>	<p>1. Institute process improvements to meet objectives or standards and achieve efficiency and effectiveness in operations; and</p> <p>2. Institute process improvements to achieve</p>	<p>1. Develop new or improved methods, measures and other support systems and processes; and</p> <p>2. Conduct trainings and provide staff supervision on the application of new</p>	<p>1. Advise/report to the Department Secretary or the Audit Committee of the Governing Board on all matters relating to management control and operations audit; and</p>



	compliance with regulations, policies and other requirements in operations.	or improved methods, measures and other support systems and processes.	2. Recommend realistic courses of action
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**7. ROLES AND RESPONSIBILITIES:**

Pursuant to Section 124 of the Government Auditing Code of the Philippines and the Administrative Code of 1987, the CPCG has the direct responsibility to install, implement and monitor a sound system of internal control. However, the CPCG may task the Coast Guard Internal Audit to undertake the appraisal of the internal control within the agency. The Coast Guard Internal Auditor is accountable to CPCG, as the case may be, for the efficient and effective operation of the internal audit function. The Coast Guard Internal Audit functionally/operationally reports to CPCG as often as necessary. They meet regularly to provide CPCG the opportunity to seek the comments of the Coast Guard Internal Auditor on management control and audit function, quality of the audit effort and internal controls, and other areas of concern, as deemed appropriate.

**8. RELATIONSHIPS WITH KEY STAKEHOLDERS:**

To be effective, the Coast Guard Internal Audit must have the trust and confidence of the principals and key stakeholders it works with. This can only be established and maintained by fostering effective working relationships and delivering high quality and timely internal audit services. Stakeholder refers to a person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

**8.1. Coast Guard Internal Audit and Commandant, Philippine Coast Guard**

Coast Guard Internal Audit must report directly to CPCG. It is reiterated that CPCG is not the client of the Coast Guard Internal Audit. Instead, a superior-subordinate relationship exists between the CPCG and the Internal Auditors. This means that the Coast Guard Internal Auditor is accountable to the CPCG. This relationship should be used as an opportunity for internal audit to gain insights into new and emerging issues and concerns facing the organization as well as to discuss the role that CPCG requires the Coast Guard Internal Audit to fulfill in line with the latter's mandated function.

**8.2. Coast Guard Internal Audit and Management**

To effectively fulfil its responsibilities, the Coast Guard Internal Audit needs to have a professional and constructive relationship with senior management and with the management staff of the organization in general. Coast Guard Internal Audit members should interact on a regular basis with the members of the senior management team and build a

relationship that is based on cooperation, mutual respect and adherence to the highest degree of professionalism. While interacting on a regular basis with management, Coast Guard Internal Audit may be privy to information which might impact on professional and at times, personal reputations. It is important that Coast Guard Internal Audit respects the confidentiality of such information and its communication to others be made on a strictly prescribed.

### **8.3. Coast Guard Internal Audit and the Commission on Audit**

The COA has the Constitutional authority and duty to examine, audit and settle accounts in accordance with law and regulations. The Constitution, as well as the Administrative Code of 1987, also provides that, *"where the internal control system of the audited agencies is inadequate, the COA may adopt such measures, including temporary or special pre-audit, as necessary and appropriate to correct the deficiencies"*. This authority of the COA is distinguished from the functions of the Internal Audit.

Coast Guard Internal Audit is an integral part of the department or agency and assists in the management and effective discharge of the responsibilities of the Office without intruding into the authority and mandate of the COA granted under the Constitution or encroaching on or be adversarial with those of the auditors of the COA. However, there must be constructive cooperation between the Coast Guard Internal Audit and the COA. The coverage of internal audit provided in the Strategic and Annual Internal Audit Work Plans, including the appropriate amendments, are subject to the authority of CPCG. Access to internal audit plans, working papers and reports is subject to the authority of CPCG and/or in accordance with PCG specific policies on security of information and disclosure.

### **8.4. Coast Guard Internal Audit and Professional Bodies**

It is generally expected that Internal Auditors may be members of professional bodies. It is important that the Internal Auditors are abreast with professional and industry developments, and use networking opportunities to assist in their continuing professional development. They must continually update themselves on new frontiers of internal auditing and respond to developments affecting their profession, subject to applicable laws and regulations. In doing so, and in accordance with government policies on confidentiality of organizational activities and audit functions, and policies on objectivity and impartiality, it is important that due care is strictly upheld.

## **9. ORGANIZATIONAL STRUCTURE:**

Coast Guard Internal Audit is an independent unit. It has unrestricted access to all records, funds, physical properties and personnel, in line with the performance of its function and report directly to the CPCG.

Coast Guard Internal Audit is divided in two branches, Operations Audit Branch and Management Audit Branch.

#### 9.1 **Management Audit Branch**

It is responsible for, among other functions, conducting a separate evaluation of the effectiveness of the internal controls adapted in the operating and support services systems. It conducts an appraisal and review of management controls of the operating or support units to determine if the control objectives are being achieved, conducts root cause analysis in case the controls are weak, and recommends courses of action to address the control weaknesses.

#### 9.2 **Operations Audit Branch**

It is responsible for conducting a separate evaluation of the outcome, output, process and input to determine whether government operations, including management and personnel structure in programs/projects are effective, efficient, ethical and economical.

### **10. STAFFING:**

- 10.1 Coast Guard Internal Auditor
- 10.2 Deputy Coast Guard Internal Auditor
- 10.3 Chief Master At Arms
- 10.4 Internal Audit Plantilla Positions

### **11. DUTIES AND RESPONSIBILITIES:**

#### 11.1 **Coast Guard Internal Auditor**

##### Administrative Functions

- 11.1.1 Submits work and financial plan
- 11.1.2 Submits annual procurement report
- 11.1.3 Submits accomplishment reports
- 11.1.4 Submits performance evaluation, targets and ratings of staff

##### Operational Functions

- 11.1.5 Finalize the annual goals, objectives and performance targets of Coast Guard Internal Audit
- 11.1.6 Approves internal audit annual work plans
- 11.1.7 Establishes internal auditing standards, guidelines and procedures for the guidance of the staff
- 11.1.8 Determines the extent of coordination with the Commission on Audit to avoid duplication of audit report
- 11.1.9 Ensures support of management in the conduct of internal audit
- 11.1.10 Discusses internal audit scope and objectives with unit or personnel to be covered prior to the conduct of audit
- 11.1.11 Reviews and approves internal audit reports

- 11.1.12 Discusses audit results with auditee/s before the report is finalized
- 11.1.13 If necessary, discusses the conclusions and recommendations in the audit report with the appropriate level of management
- 11.1.14 Follow up actions to determine if audit recommendations have been carried out or not and inquires for the reasons for non-implementation
- 11.1.15 Investigates anomalies discovered in audit and submits reports and recommendations on investigations completed
- 11.1.16 Reviews and approves recommendations for enhancement of the internal audit functions
- 11.1.17 Performs other functions as CPCG directed.

## 11.2 Deputy Coast Guard Internal Auditor

- 11.2.1 Principal assistant and coordinator of Coast Guard Internal Auditor in administration and operation of the office
- 11.2.2 Establishes the annual goals, objectives and performance targets of Coast Guard Internal Audit
- 11.2.3 Reviews the overall internal audit annual work plans Coast Guard Internal Audit
- 11.2.4 Reviews and recommend for approval of internal audit reports
- 11.2.5 Establishes annual training program of the staff
- 11.2.6 Responsible for setting qualification in hiring, recruitment and promotion of the civilian personnel
- 11.2.7 Performs other tasks as Coast Guard Internal Auditor may direct.

## 11.3 Chief Master At Arms

- 11.3.1 Enforces observance of discipline among the staff
- 11.3.2 Manages issues and concerns with regards to the morale and welfare personnel.
- 11.3.3 Maintains record of attendance of personnel
- 11.3.4 Maintains record of personnel going in Informal Leave and screen application for Pass prior to signature of Coast Guard Internal Auditor.
- 11.3.5 Responsible in orienting newly assigned personnel to their respective work and in performing tasks.
- 11.3.6 Performs other tasks as Coast Guard Internal Auditor may direct.

## 11.4 Internal Audit Plantilla Positions

- 11.4.1 Internal Auditor V
  - 11.4.1.1 Under direction, supervises a branch tasked with internal audit functions
  - 11.4.1.2 Establishes the annual goals, objectives and performance targets of the branch
  - 11.4.1.3 Does final review of internal audit annual work plans of the branch

- 11.4.1.4 Establishes internal auditing standards, guidelines and procedures for the guidance of the internal audit staff;
  - 11.4.1.5 Recommends approval of internal audit plans of the branch
  - 11.4.1.6 Reviews internal audit report
  - 11.4.1.7 Determines training needs of internal audit staff
  - 11.4.1.8 Responsible for work performance and discipline of audit staff
  - 11.4.1.9 Does related work.
- 11.4.2 Internal Auditor IV
- 11.4.2.1 Under direct supervision, assists in supervising a division tasked with internal audit functions
  - 11.4.2.2 Reviews internal audit plans
  - 11.4.2.3 Discusses internal audit plans with the concerned staff
  - 11.4.2.4 Reviews written internal audit reports
  - 11.4.2.5 Trains new internal auditors
  - 11.4.2.6 Rates performance of audit staff
  - 11.4.2.7 Does related work.
- 11.4.3 Internal Auditor III
- 11.4.3.1 Under general supervision, reviews PCG organizational structure, staffing, administrative systems and procedures
  - 11.4.3.2 Drafts audit plans for review of immediate supervisor
  - 11.4.3.3 Follow-up actions to determine if audit recommendations have been carried out
  - 11.4.3.4 Performs difficult auditing work
  - 11.4.3.5 Does related work.
- 11.4.4 Internal Auditor II
- 11.4.4.1 Under general supervision, conducts researches to obtain background information on the activities to be audited
  - 11.4.4.2 Discusses research findings with the leader of the auditing team
  - 11.4.4.3 Performs simple auditing work
  - 11.4.4.4 Drafts report on the results of audit
  - 11.4.4.5 Does related work.
- 11.4.5 Internal Auditor I
- 11.4.5.1 Under general supervision, conducts researches to obtain background information on the activities to be audited
  - 11.4.5.2 Discusses research findings with the leader of the auditing team



- 11.4.5.3 Performs simple auditing work
- 11.4.5.4 Drafts report on the results of the audit completed
- 11.4.5.5 Does related work.

- 11.4.6 Internal Auditor Assistant
  - 11.4.6.1 Under immediate supervision, assists internal auditors in the conduct of internal audit
  - 11.4.6.2 Does related work.

- 11.4.7 Senior Administrative Assistant I (Computer Operator IV)
  - 11.4.7.1 Under general supervision, conducts computer researches to obtain background information on the activities to be audited.
  - 11.4.7.2 Assists internal auditors in computer operated works
  - 11.4.7.3 Does related work.

- 11.4.8 Administrative Assistant VI (Computer Operator III)
  - 11.4.8.1 Under general supervision, conducts computer researches to obtain background information on the activities to be audited.
  - 11.4.8.2 Assists the Senior Administrative Assistant I
  - 11.4.8.3 Does related work.

**12. AMENDMENT:**

Coast Guard Internal Auditor is primary responsible for regularly updating this Circular to actively respond to the dynamic and contemporary changes of auditing principles and practices.

**13. RESCISSION:**

Previous policies and publications in conflict with this Circular are hereby rescinded.


**14. EFFECTIVITY:**

This Circular shall take effect immediately upon publication.

**BY COMMAND OF COMMODORE GARCIA:**

OFFICIAL:

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**CAPT PCG**  
 Chief of Coast Guard Staff

  
**LIEZEL B BAUTISTA**  
**LCDR PCG**  
 Coast Guard Adjutant

*12/02/17/17/18*