



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

ADMINISTRATIVE ORDER
NO. 03
Series of 2005

**SUBJECT : INSTITUTING THE CHARTER OF THE INTERNAL
AUDIT SERVICE OF THE DEPARTMENT OF LAND
REFORM (IAS-DLR)**

SECTION 1. MANDATE

Pursuant to Administrative Order No. 278, Series of 1992, DAR issued its own Administrative Order No. 7, Series of 1993 creating the Internal Audit Service in the Department specifically to assist the Management of DAR in the effective discharge of its responsibilities without intruding into the authority and mandate of the Commission on Audit (COA) granted under the constitution. The Internal Audit Service of the Department functions in accordance with the policies established by the provisions of Republic Act No. 3456, as amended by Republic Act No. 4177, and performs staff functions with primary responsibilities encompassing the examination and evaluation of the adequacy and effectiveness of internal control and the quality of performance of the Department.

SECTION 2. CHARTER OF DLR INTERNAL AUDIT SERVICE

The Internal Audit Service (IAS) shall be governed by a Charter (Attachment 1) which defines the parameters, standards and operational procedures that must be adopted in the discharge of its functions.

SECTION 3. ORGANIZATION


- 3.1. The Internal Audit Service, which was created directly under the Office of the Secretary, shall further strengthen its organizational units, from the Central to the Regional and Provincial Offices, to perform its functions and audit activities as defined in its charter.
- 3.2. The Head of the Internal Audit Service shall have the rank and salary equivalent to the third ranking official of the agency as specified in Sec. 3 of Republic Act No. 3456 as amended by Republic Act No. 4177.
- 3.2. The DLR-IAS at the Central Office shall have two divisions, the Operations and Performance Division and the Systems Audit Division, each to be headed by a Division Chief.

SECTION 4. REPEALING CLAUSE

All issuances and orders inconsistent with this Administrative Order are hereby repealed or amended accordingly.

SECTION 5. EFFECTIVITY

This Administrative Order shall be effective this date, July 7, 2005, 2005.


RENE C. VILLA
Secretary



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

Attachment 1

CHARTER OF DLR INTERNAL AUDIT SERVICE

1. MISSION AND SCOPE OF WORK

The mission of the Department of Land Reform (DLR) Internal Audit Service (IAS) is to conduct independent audits encompassing the examination and evaluation of the adequacy and effectiveness of internal control and the quality of performance of the Department, to provide objective information and advice to the Department's Management. It promotes accountability and best practices in government operations.

The functions and activities of the Internal Audit Service shall include the following:

- 1.1.** Appraisal of procedures and related matters, including expressing an opinion as to the efficiency or adequacy of existing procedures, and appraising personnel efficiency.
- 1.2.** Verification and analysis of financial operations data to ascertain if attendant management information system generate reports that are complete, accurate and valid.
- 1.3.** Activities verifying the extent of compliance. This may involve determining that accounting procedures or other policies are being followed; operating procedures are being properly implemented; governmental regulations are being complied with; performance targets are being achieved; and other contractual obligations are being met.
- 1.4.** Functions of a protective nature, such as prevention and detection of fraud or dishonesty; review of cases involving misuse of agency property; and checking of transactions with outside parties.

- 1.5. Miscellaneous services, including special investigations and assistance to outside contact such as the COA.

2. ACCOUNTABILITY

The Head of IAS, in the discharge of his/her duties, shall be accountable to the Secretary of the Department of Land Reform to:

- 2.1. Provide periodic assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- 2.2. Report significant issues related to the processes for controlling the activities of the organization; including potential improvements to those processes and provide information concerning such issues through resolution.
- 2.3. Periodically provide information on the status and results of the annual audit plan, internal audit quality assessment review program and the sufficiency of the Internal Audit Service resources.
- 2.4. Provide functional and technical supervision over the Internal Audit Service of DLR.
- 2.5. Coordinate with other concerned agencies in relation to the conduct of audit.

3. INDEPENDENCE

To provide for the independence of the Internal Audit Service, its personnel shall report to the Head for Internal Audit, who reports functionally and administratively to the DLR Secretary in a manner outlined in the above section on Accountability. It will include, as part of its report to the Management, a regular report on Internal Audit personnel.

4. RESPONSIBILITY

The Head for Internal Audit of the Internal Audit Service shall have the responsibility to:

- 4.1.** Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by the DLR Management, and submit that plan to the Management for review and approval as well as periodic updates.
- 4.2.** Implement the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by Management.
- 4.3.** Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Charter.
- 4.4.** Implement a quality assurance review program for the Internal Audit Service of DLR.
- 4.5.** Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion.
- 4.6.** Submit periodic reports to the Secretary of DLR summarizing results of audit activities.
- 4.7.** Keep the Secretary of DLR informed of emerging trends and successful practices in internal auditing.
- 4.8.** Provide a list of significant measurement goals and results to the Secretary of DLR.
- 4.9.** Assist in the investigation of significant suspected fraudulent activities within the organization and notify the Secretary of DLR of results.
- 4.10.** Consider the scope of work of the COA auditors, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

5. AUTHORITY

5.1. The Internal Audit Service as maybe authorized by the Secretary of DLR shall have the following power and authority:

5.1.1. Have unrestricted access to all functions, records, property, and personnel.

5.1.2. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

5.1.3. Obtain the necessary assistance of personnel in units of the Department where they perform audits, as well as other specialized services from within or outside the Department.

5.2. The Head for Internal Audit and staff are not authorized to:

5.2.1. Perform any operational duties for the Department or its attached agencies.

5.2.2. Initiate or approve accounting transactions external to the Internal Audit Service.

5.2.3. Direct activities of any organization employee not employed by the Internal Audit Service, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.

6. STANDARDS OF AUDIT PRACTICE

The Internal Audit Service shall conduct the audit in conformity with the International Standards for the Professional Practice of Internal Auditing.


HON. RENE C. VILLA *RF*
Secretary, Department of Land Reform

Date

July 7, 2005 