



REPUBLIC OF THE PHILIPPINES

DEPARTMENT OF AGRARIAN REFORM

Tunay na Pagbabago sa Repormang Agraryo

ADMINISTRATIVE ORDER NO. 05

Series of 2023

SUBJECT: UPGRADING OF THE DAR INTERNAL AUDIT DIVISION (IAD) TO A SERVICE UNIT

I. PREFATORY STATEMENT

Pursuant to Malacañang Administrative Order No. 278, series of 1992, all heads of government offices shall organize an Internal Audit Service (IAS) to 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 RA 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 Service was strengthened in all government agencies by virtue of Malacañan AO No. 70, series of 2003 wherein IAS shall be an integral part of the Office and provided with sufficient support from the top management to gain the cooperation/confidence of the Auditee. Its implementing guidelines was issued under DBM Circular No. 2004-4 on March 22, 2004 entitled "*Guidelines on the Organization and Staffing of Internal Audit Units*" and updated with DBM Circular No. 2008-05 entitled "*Guidelines in the Organization and Staffing of an Internal Audit Service/Unit and Management Division/Unit in Departments/Agencies/GOCCs/GFIs Concerned*".

Pursuant to the above-mentioned orders, and with the approval of the Department of Budget Management, the DAR Internal Audit Division (IAD) is hereby upgraded into the Internal Audit Service (IAS) with two divisions.

II. ORGANIZATION AND FUNCTIONS

The IAS shall be the Department's dedicated service-level unit that will handle the evaluation of management controls and operations performance as well as determine the degree of compliance of its internal controls with existing laws, policies, accountability measures and ethical standards.

Pursuant to the Administrative Code of 1987, as amended, adopted by DBM in its CL No. 2008-05¹, the function of the Internal Audit Service are as follows:

¹ Section 2.4 DBM Circular Letter No. 2008-05 (Guidelines in the Organization and Staffing of an Internal Audit Service/Unit and Management Division/Unit in the Department/Agencies/GOCCs/GFIs Concerned)

- a. Advise the Department Secretary on all matters relating to management control and operations audits;
- b. Conduct management and operations audits of Department functions, programs, projects, activities with outputs, and determine the degree of compliance with their mandate, policies, government regulations, established objectives, systems and procedures/processes and contractual obligations;
- c. 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;
- d. Analyze and evaluate management deficiencies and assists the top management by recommending realistic courses of action.

In addition to the above duties, the IAS maybe called upon to perform special assignment by the Secretary. 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 Department. Further, IAS should refrain from participating in the operations and processes of another unit as this is in conflict with the post-audit function of the internal audit.²

Under the IAS, there shall be two (2) divisions namely the Operations Audit Division (OAD) and the Management Audit Division (MAD). The OAD shall evaluate the effectiveness, efficiency, and economy of operations, including the appraisal of the operating systems and their sub-systems. The existing seven (7) Internal Audit positions shall be utilized by the OAD. Meanwhile the MAD shall be responsible for, among other functions, conducting a separate evaluation of the effectiveness of the internal controls of the Management System such as the human resource management system, financial management system, quality management system, risk management, and their sub-systems. The newly created seven (7) Internal Audit positions shall staff the MAD. The functions of the two divisions are in line with the relevant sections of DBM Circular Letter No. 2008-5³ and the Revised Philippine Government Internal Audit Manual (RPGIAM) issued under DBM CL No. 2020-8⁴. The OAD and MAD shall each be headed by a Division Chief (Internal Auditor V).

The following are the specific functions and responsibilities of the OAD and MAD:

A. Operations Audit Division (OAD)

- Conduct operations performance audit of activities and its units, and determine the degree of compliance with the mandate, policies, government regulation, established objectives, systems and procedures/processes and contractual obligations.

² Section 5.7 Chapter 1 Part I of Revised Philippine Government Internal Audit Manual (RPGIAM)

³ Section 3.2 DBM Circular Letter No. 2008-05 (Guidelines in the Organization and Staffing of an Internal Audit Service/Unit and Management Division/Unit in the Department/Agencies/GOCCS/GFIs Concerned)

⁴ Section 5 Chapter 3 Part I of Revised Philippine Government Internal Audit Manual (RPGIAM)

- Review and appraise systems and procedures/processes, organizational structure, operations practices, operation records, reports and performance standards of the agencies/units covered.
- Verify and analyze operations data to ascertain if attendant operations information systems generate complete, accurate and valid data or reports
- Ascertain the reliability and integrity of operational information and the means used to identify, measure, classify and report such information
- Review 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
- Recommend courses of actions on operational deficiencies observed
- Evaluate the quality of performance of groups/individuals in carrying out their assigned responsibilities

B. Management Audit Division (MAD)

- Conduct management audit of activities and its units and determine the degree of compliance with the mandate, policies, government regulations, established objectives, systems and procedures/processes and contractual obligations.
- Review and appraise systems and procedures/processes, organizational structure, assets management practices, financial and management records, reports and performance standards of the agencies/units covered.
- Verify and analyze financial and management data to ascertain if attendant management information systems generate complete, accurate and valid data or reports
- Ascertain the reliability and integrity of financial and management information and the means used to identify, measure, classify and report such information.
- Ascertain the extent to which assets and other resources of the institutions are accounted for and safeguarded from losses of all kinds.
- Review and evaluate the soundness, adequacy, and application of accounting, financial and management controls, and promote the most effective control at reasonable cost.
- Evaluate the quality of performance of groups/individuals in carrying out their assigned responsibilities

III. STAFFING

With the elevation of Internal Audit division to IAS, it is now headed by a Director IV (SG 28) with an assigned Administrative Assistant III (SG 9). Each Division shall be headed by an Internal Auditor V (SG 24) that will act as the Division Chief. Both Divisions shall also be staffed by one (1) Internal Auditor IV (SG 22), two (2) Internal Auditor III (SG 18), and three (3) Internal Auditor II (SG 15).

The rank and salary grades of the IAS staff are stipulated in Section 4.1.3 of DBM BC No. 2004-4 (*Guidelines on the Organization and Staffing of Internal Auditing Units*) whereas the qualification standards are enumerated in the following issuances:

- a. CSC MC No. 12, series of 2006 "Qualification Standards for IAS Positions" which provides the minimum qualification standards to be followed for IAS positions.
- b. CSC MC No. 5, series of 2016 which revised the qualification standards for Division Chief and Executive level/Managerial positions in the second level as well as the competency requirements for the said level of positions.

The general policies and related rules on qualification standards are provided in Rule VIII of CSC Resolution No. 1800692, 2017 Omnibus Rules on Appointments and other Human Resource Actions (Revised July 2018) dated 3 July 2018.

The RPGIAM (Appendix B) also provides the qualification standards and functions of the Head and Staff of Internal Audit Service. It reflects the minimum competency required in the areas of education, experience, training and eligibility that will enable auditors to perform in a competent manner the functions so desired by the IAS.

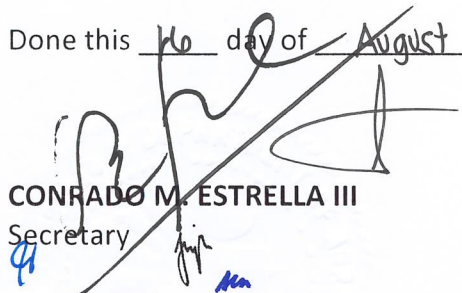
IV. FUNDING SOURCE

Operating expenses for upgraded unit shall be sourced from available funds at the DAR Central Office, subject to the submission and approval of a revised Work and Financial Plan (WFP) as a Service unit.

V. EFFECTIVITY

This Order shall take effect immediately and supersedes/amends/modifies all issuances inconsistent herewith.

Done this 16 day of August, 2023, Diliman, Quezon City.


CONRADO M. ESTRELLA III
Secretary

Department of Agrarian Reform

Office of the Secretary



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