

# **CLARK INTERNATIONAL AIRPORT CORPORATION**

## ***Internal Audit Charter***

### ***Introduction:***

Internal Auditing is an independent and objective assurance and appraisal activity that is guided by a philosophy of adding value to improve the operations of Clark International Airport Corporation (CIAC). It assists CIAC in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, internal control and compliance to government rules and regulations.

### ***Mandate:***

To provide independent and objective appraisal on the integrity, adequacy and effectiveness of the organization's compliance to government rules and regulations, risk management system, system of internal control, management reporting process and the quality in carrying out assigned responsibilities to achieve the organization's goals and objectives.

### ***Role:***

The IAD is established by CIAC and its responsibilities are defined by the Audit Committee of the Board of Directors as part of their oversight function.

### ***Authority:***

Authority is granted for full, free and unrestricted access to any and all of CIAC records, physical properties and personnel pertinent to any function under review. All employees are requested to assist IAD in fulfilling their staff function. IAD shall also have free and unrestricted access to the Chairman of the Board of Directors and the Audit Committee of the Board of Directors.

Documents and information given to IAD during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

**Organization:**

IAD shall report administratively to the President and CEO and functionally to the Chairman of the Board and the Audit Committee of the Board of Directors.

**Independence:**

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency and timing to permit maintenance of independent and objective observations necessary in rendering reports.

IAD shall have no direct or indirect operational responsibility or authority over any of the activities they review. Accordingly, IAD may recommend development or enhancement of systems or procedures, prepare records, or engage in any other activity which would normally be audited. If the auditee does not accept such recommendation, IAD shall have the free and unrestricted reporting functions to top management and the Audit Committee to raise the issue with regard to the rejected recommendation for proper action.

**Audit Scope:**

The scope of IAD encompasses the examination and evaluation of the adequacy and effectiveness of the organization's compliance to government rules and regulations, risk management process, system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the organization is in compliance;
- Reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets;
- Reviewing and appraising the economy and efficiency with which resources are employed;
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;

- Reviewing specific operations at the request of the Audit Committee or management, as appropriate;
- Monitoring and evaluating the effectiveness of the organization's risk management system.

***Audit Planning:***

Annually, the IAD Manager or his duly authorized representative shall submit to top management and the Audit Committee a summary of the audit work schedule, staffing plan and budget for the following fiscal year. The audit work schedule is to be developed based on a prioritization of the audit using a risk-based methodology. Any significant deviation from the formally approved work schedule shall be communicated to top management and the Audit Committee through periodic activity reports.

***Reporting:***

A written report will be prepared and issued by IAD following the conclusion of each audit and will be distributed as appropriate. A copy of each audit report and a summarization will be forwarded to the top management and the Chairman of the Audit Committee.

IAD may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.

IAD shall be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the IAD or the Audit Committee.