

OFFICE OF THE GOVERNOR

EXECUTIVE ORDER NO. 15  
Series of 2024

AN EXECUTIVE ORDER IMPLEMENTING REPUBLIC ACT NO. 3456, ALSO KNOWN AS THE INTERNAL AUDIT ACT OF 1962, AS AMENDED, DIRECTING THE CREATION, ORGANIZATION, AND OPERATIONS OF AN INTERNAL AUDIT SERVICE DIVISION.

**WHEREAS**, Office of the President Administrative Order No. 278, dated 28 April 1992, directed the creation of Internal Audit Services in all government agencies.

**WHEREAS**, Republic Act (RA) No.3456 also known as the “Internal Auditing Act of 1962”, as amended, and pertinent issuances of the Department of Budget and Management (DBM) also reiterates the mandate for government agencies to create and operate a functioning Internal Audit Service Division or Unit.

**WHEREAS**, on 31 August 2023, the DBM issued Local Budget Circular No. 153, entitled, the Internal Audit Manual 2023 Edition for Local Government Units (LGUs) to provide internal auditors and LGUs a clearer guidelines on the establishment and operations of Internal Audit Service Division/Unit.

**WHEREAS**, previous Executive Orders for the establishment/operations of the Provincial Government of Oriental Mindoro’s Internal Audit Services Division must be amended to facilitate its conformity and compliance with DBM Local Budget Circular No. 153.

**NOW THEREFORE, I, HUMERLITO A. DOLOR, MPA, PH.D.**, by virtue of the powers vested in me by Republic Act No. 7160 and other pertinent laws of the Republic of the Philippines as the Provincial Governor of Oriental Mindoro, do hereby promulgate this Executive Order, as follows:

**SECTION 1. ORGANIZATIONAL PLACEMENT AND STRUCTURE.** Pursuant to Section 3.2 of DBM Local Budget Circular No. 153, the Internal Audit Services Division shall be under the Office of the Governor. The IASD shall administratively report to the Governor. The staffing pattern and organizational pattern of the IASD shall be reviewed by the Governor, subject to the approval of the Sangguniang Panlalawigan and other pertinent civil service laws and issuances and personal services limitations under the Local Government Code of 1991 (LGC).

**SECTION 2. DUTIES AND FUNCTIONS.** The Internal Audit Services Division (IASD) shall be responsible for instituting and conducting a program of internal audit for the Provincial Government of Oriental Mindoro (PGOM). This internal audit encompasses the examination and evaluation of the adequacy and effectiveness of internal control. This is divided into three important functions, namely: management audit, operations audit, and compliance audit.

The IASD shall perform the following duties enumerated in Section 3.4 of DBM Local Budget Circular No. 153:

- a. Conduct management and operations performance audit of activities of the PGOM and determine the degree of compliance with the mandate, policies, government regulations, established objectives, systems and procedures/processes, and contractual obligations;
- b. Review and appraise systems procedures/processes, organizational structure, assets management practices, financial and management records, reports and performance standards of the PGOM and the departments covered;



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- c. Verify and analyze financial, management, and operations data to ascertain if attended management information systems generate data or reports that are complete, accurate, and valid;
- d. Ascertain the reliability and integrity of financial, management, and operations information and the means used to identify, measure, classify, and report such information;
- e. Ascertain the extent to which the assets and other resources of the institutions are accounted for and safeguarded from losses of all kinds;
- f. 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;
- g. Review and evaluate the soundness, adequacy, and application of accounting, financial and management controls and promote the most effective control at a reasonable cost;
- h. Evaluate the quality of performance of groups/individuals in carrying out their assigned responsibilities;
- i. Recommend courses of action on operational deficiencies observed;
- j. Perform 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; and
- k. Perform miscellaneous services, including special investigations and assistance to outside contacts, subject to authority from the Governor or the Presiding Officer of the Sanggunian.

### SECTION 3. DETACHMENT FROM REGULAR FUNCTIONS

Inasmuch as the PGOM operations, programs, and projects, including their systems and process, may be subject to future audit, the IASD shall refrain from participating in the operations and processes of another unit as this is in conflict with the post-audit (ex post facto or after/transaction) function of the internal audit.

The IASD shall not be responsible or required to participate in activities that are essentially part of the regular operating functions or the primary responsibility of another unit in the organization. These include management and process improvement of operating and support services system, such as quality management, human resources management, and financial management, which are the responsibilities of the operating and support services units concerned.

The IASD shall be detached from all non-internal audit functions, such as, but not limited to the following:

- a. Risk management, assurance activity, and design/ development/ installation/ implementation/ improvement of systems and processes;
- b. Conduct of internal quality audit as part of the ongoing implementation of the Quality Management System;
- c. Participation in procurement activities, including membership in the Bids and Awards Committee (BAC), its secretariat or technical working group, or as an observer;
- d. Preparation or review of draft policies, guidelines, standards, or operating procedures of other offices;



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- e. Preparation, review, verification, and certification of financial reports e.g. liquidation reports, treasury and bank reconciliation statements, and confirmation reports as an attachment to management representation letters before approval by the Governor;
- f. Pre-audit of vouchers and counter-signature of checks;
- g. Conduct of quality control activities, such as inspection of deliveries before acceptance;
- h. Participation in asset management-related activities, such as the conduct of physical inventories, serving as observers during the physical count and disposal activities, inspection of assets for disposal, and maintenance of property records;
- i. Consolidation and submission of agency action plans in response to the external audit findings and recommendations (as contained in the COA Audit Observation Memorandum), as well as the provision of the status of implementation thereof;
- j. Appointment, membership, and involvement in regular management committees and special designations not in line with internal audit functions such as, but not limited to, the following:
  - i. Committee on Anti-Red Tape;
  - ii. Review and Compliance Committee;
  - iii. Inventory Committee;
  - iv. Disposal Committee;
  - v. Data Protection Officer; or
  - vi. Freedom of Information Receiving Officer and Decision Maker.
- k. All other related to operations and non-internal audit functions.

**SECTION 4. DEFINITION OF TERMS.** The following terms mentioned in EO are hereby defined as follows:

- a. **Compliance Audit** refers to evaluation of the degree of compliance with laws, regulations, managerial policies and operating procedures, including compliance with accountability measures, ethical standards and contractual obligations.
- b. **Internal Audit** pertains to the appraisal of internal controls. It involves 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. Specifically, it pertains to management audit, operations audit, and compliance audit.
- c. **Internal Control** refers to the plan of organization and all the coordinated methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies (Section 123 of Presidential Decree No. 1445, as amended)
- d. **Management Audit** refers to a separate evaluation of the effectiveness of internal controls adapted in the operating and support services units over a period of time or as of a specific date;
- e. **Operations Audit** refers to a separate evaluation of the outcome, output, process and input to determine whether government operations, programs and projects are



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effective, efficient, ethical and economical;

- f. **Head of Internal Audit** refers to the head or highest official of Internal Audit Service Division of the PGOM. He/she has overall responsibility for auditing the provincial government, managing the entire audit cycle and a team of internal auditors, and ensuring the quality of audit products produced by the team.

**SECTION 5. REPORTING LINE.** To be effective, the IASD must have the trust and confidence of the 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. The IASD shall directly report to the Governor for the evaluation of the offices, departments, hospitals under the latter's administrative supervision. For matters, audit, and evaluation regarding the Sangguniang Panlalawigan, the IASD shall report to the Vice-Governor.

#### A. Governor

The IASD must report directly to the Governor. The Governor is not the client of the IASD. Instead, a superior subordinate relationship exists between the Governor and the internal auditors. This means that the Head of Internal Audit (HIA) is accountable to the Governor. This relationship should be used as an opportunity for internal audit to gain insights into new and emerging issues and concerns facing the PGOM and to discuss the role that the Governor requires the IASD to fulfill in line with the latter's mandated function.

#### B. Roles and Responsibilities of the Governor, the Vice-Governor, and the Sangguniang Panlalawigan in the establishment and operations of the IASD.

##### B.1 Governor and Vice-Governor

Pursuant to Section 124 of the Government Auditing Code of the Philippines and the Administrative Code of 1987, the Governor has the direct responsibility to establish, implement, and monitor a sound system of internal control in the local government unit.

The Governor in the performance of internal audit in the Offices, Departments, and hospitals under the supervision and administration of the Governor, is responsible for the following:

- i. Ensure that the IASD fully discharges its internal audit function;
- ii. Provide insights on, review, verify the veracity of, and approve internal audit plans and reports;
- iii. Discuss internal audit findings and recommendations with other key officials/personnel concerned in the PGOM, as necessary;
- iv. Ensure timely distribution of audit reports to auditors for implementation of the approved findings and recommendations;
- v. Lead the implementation of the approved audit findings and recommendations;
- vi. Instruct key officials/personnel concerned in the Governor to undertake necessary actions, including the development /refinement of certain policies/guidelines to avoid the occurrence (preventive action) or recurrence (corrective action) of control weaknesses and incidences;
- vii. Ensure monitoring of the implementation of approved recommendations to implement preventive and corrective measures and address control weaknesses/incidences discovered from audit, and



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- viii. Periodically review the performance of the internal audit, as part of his duty of supervision and control over the division.

The Vice-Governor, as the Presiding Officer of the Sangguniang Panlalawigan, may also exercise the same roles and responsibilities of the Governor in cases when the SP is being audited.

## B.2 Sangguniang Panlalawigan

The Sanggunian, as the local legislature, has a key role in establishing the IASD through the enactment of an ordinance creating the IASD, and by providing funding support in accordance with the provisions set out in AO No. 278 and DBM Budget Circular No. 2004-04.

**SECTION 6. MANAGEMENT SUPPORT.** All officials, department heads, chief of offices and employees of the PGOM are directed and expected to cooperate with internal auditors. PGOM officials and employees shall ensure that:

- (a) In the performance of their function, the internal auditors should be able to exercise independence to render impartial and unbiased judgements essential to the proper conduct of the audit.
- (b) The internal auditors should be able to gather sufficient evidential matters in support of their findings and recommendations.
- (c) While the head of IASD shall report directly to the Governor or his authorize representative, the IASD shall maintain independence in the performance of its functions.

**SECTION 7. CONDUCT OF INTERNAL AUDIT.** The IASD's conduct of internal audit shall be performed with proficiency and due professional care. The IASD shall:

- (a) Provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audit to be performed.
- (b) Possess the knowledge, skills, and discipline needed to carry out the audit responsibilities of the Division.,
- (c) Ensure that the internal audits are properly supervised and performed with due professional care.,
- (d) Conduct the internal audit in conformity with the Philippine Government Internal Audit Manual (PGIAM), Internal Audit Manual for Local Government Units (IAM for LGUs) and internal standards for the professional practice of internal auditing., and
- (e) Observe the Code of Ethics promulgated by the Association of Government Internal Auditors (AGIA) to maintain high standards of honesty, dedication, objectivity, diligence, and loyalty in the conduct of internal audit.

**SECTION 7. STANDARD OF THE INTERNAL AUDITING PROFESSION.** The head of IASD shall ensure that the internal audit practices, methods and procedures of PGOM are improved and updated through continuing education. All internal audit works and processes shall be conducted in conformity with the standards of the internal audit profession. For this purpose, the IASD head and staff shall cooperate and actively participate in all the trainings available and activities offered by the National Government and the Association of Government Internal Auditors (AGIA) to stay updated and increase their knowledge on all relevant matters pertaining to internal audit.

**SECTION 8. FUNDING.** The Funding requirements for the activities of the IASD shall be charged against the general fund of the Office of the Governor.

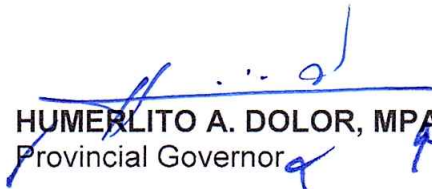
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**SECTION 9. REPEALING CLAUSE.** EO No. 217, Series of 2019 is hereby repealed. Any executive issuance inconsistent with the provisions of this EO are hereby repealed or modified accordingly.

**SECTION 10. SEPARABILITY CLAUSE.** If any provision of this executive order is declared invalid for any reason, the parts not affected shall remain in force and effect.

**SECTION 11. EFFECTIVITY.** This Executive Order shall take effect immediately upon its approval.

**DONE IN THE CITY OF CALAPAN, PROVINCE OF ORIENTAL MINDORO,** this 3<sup>rd</sup> day of May in the Year of our Lord Two Thousand and Twenty-Four.

  
**HUMERTO A. DOLOR, MPA, Ph.D.**  
Provincial Governor