

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 278

DIRECTING THE STRENGTHENING OF THE INTERNAL CONTROL SYSTEMS OF GOVERNMENT OFFICES, AGENCIES, GOVERNMENT-OWNED AND/OR CONTROLLED CORPORATIONS, INCLUDING GOVERNMENT FINANCIAL INSTITUTIONS AND LOCAL GOVERNMENT UNITS, IN THEIR OPERATIONS

I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. In addition to the provisions of Section 1 of Administrative Order No. 119, Series of 1989, all heads of government offices, agencies, government-owned and/or controlled corporations, including government financial institutions and local government units, shall organize Internal Audit Services (IAS) in their respective offices, as follows:

- 1.1 The Internal Audit Service (IAS) shall be an integral part of the office/organization and shall 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 Republic Act No. 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 activities shall include the following:
 - 1.1.1 Ascertaining the reliability and integrity of financial and operational information and the means used to identify, measure, classify and report such information;
 - 1.1.2 Ascertaining the extent of compliance and reviewing the systems established to ensure compliance with government policies, plans and procedures, laws and regulations which have impact on operations;

2000-11-22

- 2.5 Taking physical inventories; however, the internal auditor may review the plans in advance and observe and test-check the accuracy of counting, costing and summarizing;
 - 2.6 Maintaining property records; and
 - 2.7 All other activities related to operations.
- 3.0 The IAS shall be provided with sufficient support from the top management to gain the cooperation/confidence of the auditee.
- 3.1 In the performance of their function, the internal auditors should be able to exercise independence to render impartial and unbiased judgments essential to the proper conduct of the audit.
 - 3.2 The auditor should be able to gather sufficient evidential matters in support of his findings and recommendations.
 - 3.3 The Head/Chief of the IAS shall report directly to the Head of the Agency.
- 4.0 Internal audit shall be performed with proficiency and due professional care.
- 4.1 The IAS shall provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audit to be performed.
 - 4.2 Internal auditors shall possess/obtain the knowledge, skills and discipline needed to carry out the audit responsibilities of the IAS.
 - 4.3 The IAS shall provide assurance that internal audits are properly supervised and performed with due professional care.
 - 4.4 The IAS shall conduct the audit in conformity with the standards of the internal audit profession.
 - 4.5 The Code of Ethics promulgated by the Association of Government Internal Auditors (AGIA) shall be strictly

pl

observed to maintain high standards of honesty, objectivity, diligence and loyalty.

SEC. 2. In order to best serve the interests of their Offices, in particular, and of the government service, in general, all Heads and Staff of the Internal Audit Service shall cooperate and actively participate in the activities of the AGIA.

SEC. 3. The AGIA shall ensure that internal audit practices, methods and procedures are improved and updated through continuing education and that all audit works for each government agency are conducted in conformity with the standards of the internal audit profession.

SEC. 4. Agencies without an internal audit service/unit shall constitute one to be staffed by assigning or deploying personnel from other units of the Agency.

SEC. 5. This Administrative Order shall take effect immediately.

Done in the City of Manila, this 28th day of April, in the year of Our Lord, nineteen hundred and ninety-two.

By the President:

FRANKLIN M. DRILON
Executive Secretary