



Sugar Regulatory Administration
REFERENCE MANUAL

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Section: **GUIDE/ GUIDELINES**

Subject: **Internal Audit Guidelines**

INTERNAL AUDIT GUIDELINES

Annual audit activities included in the Annual Audit Plan are composed of management reference of auditable areas, individual audit proposals, and spot-on audits. Notwithstanding the nature of audit, the Internal Audit Department attempts to simplify the flow of activities into the following procedural stages sourced out from standard procedures specified in the Philippine Government Internal Audit Manual (PGIAM):

A. AUDIT ENGAGEMENT PLANNING

- Understanding and familiarization with the purpose of audit and activity to be audited (developing a strategy and approach in conducting the audit).
- Outlining the scope, objectives and target dates/timeline.
- Identifying evidences required to develop audit findings (key issues).
- Developing an audit program containing the step by step audit procedures to accomplish audit objectives.
- Secure approval of Internal Audit Manager for the work program.

B. AUDIT EXECUTION

- Entry Conference with auditee.
- Compliance Audit (with regulations, managerial policies, operating processes, accountability measures, and ethical standards).
- Conduct system/process audit.
- Prepare working papers.
- Conduct either an operations/management audit under which, each process shall be evaluated for effectiveness, efficiency, ethicality, and economy of selected systems.
- Exit conference to discuss highlights of audit findings with the responsible officers.

C. AUDIT REPORTING

- Audit findings are formulated based on 4Cs (Criteria, Condition, Conclusion, and Cause). It should align with audit objectives.
- Develop audit recommendations that provide courses of action as basis for improving internal controls. It could either be preventive or corrective actions.
- Prepare a draft audit report containing the preliminary audit findings and recommendations.
- Draft audit report shall be noted and updated by Internal Audit Manager.
- Preparation of Final Audit Report including Executive Summary, to be submitted/presented to Head of Agency.

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D. AUDIT FOLLOW-UP

- Monitor the implementation of approved audit findings and recommendations based on the timeline set in audit program. (See **Annex A**)
- Resolve the non-implementation or inadequate implementation of audit recommendations, if any.
- Preparation of Audit follow-up report.

DEFINITION OF TERMS:

Annual Audit Plan - contains the prioritized audit areas which will be focused on during a one-year period, the type and approach of the audit, and the timeline of the same.

Auditee - is the public official responsible for the subject of the audit. The auditee for each audit is the senior manager with overall responsibility for the organizational area being reviewed.

Audit Engagement Planning - a strategic process that reasonably considers all known relevant factors by which a plan of action can be constructed. It involves the listing down of audit activities per audit engagement.

Audit Execution - is initiated with an entry conference to discuss the focus, requirements and timelines of the audit and involves performing the audit techniques and procedures enumerated in the audit program to gather data and pieces of evidence, to achieve the stated audit objective/s.

Audit Follow-up - is a monitoring and feedback activity to ensure the extent and adequacy of preventive/corrective actions taken by Management to address the inadequacies identified during the audit.

Audit Program - is the guideline for action during the execution phase of the audit and sets out the detailed audit procedures for cost effective collection of evidence.

Audit Working Papers - are the records of the procedures applied, the tests performed, the information obtained, and the pertinent conclusions reached in the audit.

Compliance Audit - is the evaluation of the degree of compliance with laws, regulations and managerial policies and operating procedures in the agency, including compliance with accountability measures, ethical standards and contractual obligations.

Four Cs in Audit Findings. Stands for criteria, condition, cause and conclusion.

Criteria - are the standards against which a condition is compared; standards can be laws, rules, regulations, policies, orders, guidelines, procedures, plans, targets, best practices, etc.

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Condition - is a fact, backed up by a substantial evidence (includes consequence, effects or impact); this is also referred to as the "finding of facts" which is defined as the written statement of the ultimate facts essential to support the audit findings.

Cause - refers to the probable cause, in case of compliance audit; or root cause, in case of management audit or operations audit. Relatedly, a finding of probable cause needs only to rest on evidence showing that more likely than not the act/s or omission/s of the person responsible had caused the non-compliance which may warrant the conduct of administrative proceeding by the disciplining authority. Root cause is a structured investigation that aims to identify the true cause of the control weaknesses or incidences and the actions necessary to eliminate it.

Conclusion - is the evaluation of the criteria and the conditions that could either result in compliance or non-compliance with laws, regulations and policies, as supported by substantial evidence; control effectiveness; determination of adequacy or inadequacy of controls; determination of the efficiency, effectiveness, ethicality, and economy of agency operations; this is also referred to as the "conclusion of facts" which is defined as an inference drawn from the subordinate or evidentiary facts."

Entry conference - is a meeting with auditee management and staff to discuss the plans for the conduct of the audit as well as to obtain the audited entity's views and expectations.

Internal Audit - is 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. It involves the appraisal of the plan of organization and all the coordinate methods and measures to recommend courses of action on all matters relating to management control and operations audit.

Internal Control - is the plan of organization and all the coordinated methods and measures adopted within SRA to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies (adopted from the National Guidelines on Internal Control System-NGICS issued by DBM).

Management Audit - is a separate evaluation on the effectiveness of internal controls adapted in the operating and support services units/systems to determine whether they achieve the control objectives over a period of time or as of a specific date.

Operations Audit - is a separate evaluation of the outcome, output, process, and input to determine whether government operations programs/projects are effective, efficient, ethical, and economical, including compliance with laws, regulations, managerial policies, accountability measures and contractual obligations.

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Process Audit - is an audit of individual processes against predetermined process steps or activities. It can reveal inefficiencies and areas for improvement.

Spot-on audit - is an audit of a particular transaction at a particular point in time which gives reasonable assurance that controls in place are still working.

System Audit - is an audit of a system or subsystem against system requirements. It can reveal conformity or nonconformity to the system.

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ANNEX A

In the review and assessment of evidence that management actions have implemented in response to approved audit recommendations, the following ratings shall be used to evaluate the level at which a recommendation has been implemented:

Level 1: Not Implemented

Level 2: Partially Implemented

Level 3: Fully Implemented

Obsolete

Periodic monitoring of audit recommendations shall use the following format:

AUDIT TITLE: _____
IMPLEMENTATION OF RECOMMENDATIONS

AUDIT FINDINGS	AUDIT RECOMMENDATION	ACTION/S TAKEN BY MANAGEMENT	FOLLOW UP DATE	RESULT OF AUDITOR'S VALIDATION
				Level 1-3/ Obsolete

Revision History ISO 9001:2015	Effectivity Date	Details/Description of Changes
Rev. 1	Dec. 1, 2021	- Edited from 5 levels to a 3-level result of implementation (AnnexA)

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