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INTERNAL AUDIT CHARTER

I. MISSION AND PURPOSE

The Department of Administration (DOA) Internal Audit Section's mission is to provide objective and independent assurance and consulting activities designed to add value and improve the operations of DOA and Government of Guam line agencies.

The Internal Audit Section's main purpose is to assist DOA and Government of Guam line agencies accomplish its objectives by providing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and control processes.

II. ORGANIZATION STRUCTURE

The Internal Audit Section is independent from all other sections within DOA. The Chief Auditor is the head of the Internal Audit Section. He reports functionally to the Audit Committee, or in its absence, to the DOA Director (Director). Further, he reports to the Director administratively, which includes day-to-day operations, logistics, audit planning, and other relevant matters.

III. ROLE AND FUNCTION

More specifically, the Internal Audit's role, which is primarily preventive in nature, includes:

- Appraising the efficiency and effectiveness of operations.
- Evaluating adherence to agency policies and procedures and compliance with federal and local laws and regulations.
- Assessing the adequacy, effectiveness, and application of administrative and financial controls for safeguarding agency assets and ensuring the reliability of information and data.
- Performing special investigations at the request of the agency management and Office of the Attorney General.
- Monitoring the status of agency corrective action plans to resolve findings noted.
- Liaising and coordinating activities with external auditors, reviewers, and assurance providers.
- When necessary, refer findings to appropriate government agencies such as the Guam Police Department and Attorney General for further investigation.

IV. PROFESSIONALISM

The Internal Audit will govern itself by adherence to the Institute of Internal Auditors mandatory guidance including Definition of Internal Auditing, Code of Ethics, and *International Standards for Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for professional practice of internal auditing and for

evaluating effectiveness of the Internal Audit's performance. The Internal Audit will adhere to relevant DOA policies and procedures and the Internal Audit Standards Operating Manual.

V. INDEPENDENCE AND OBJECTIVITY

All internal audit activities shall remain free of any interference or influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

The Internal Audit staff will have no direct operational responsibility or authority over any activities audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any activity that may impair the internal auditor's judgment.

The Internal Audit Section shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The internal auditors will make a balanced assessment of all relevant circumstances and not be unduly influenced by their own interests in forming professional judgment.

The Chief Auditor will confirm to the Audit Committee, or in his absence, to the Director at least annually, the organizational independence of Internal Auditor.

VI. AUTHORITY

To establish, maintain, and assure that the Internal Audit Section has sufficient authority to fulfill its mission, duties, and responsibilities, the Audit Committee, or in its absence, the Director will:

- Approve the internal audit charter.
- Approve the annual work plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the internal auditors on the Internal Audit Section's performance relative to its plan, audit activities, and other matters.
- Review the results of an audit activity or engagement.

The Audit Committee, or its absence, the Director shall also authorize the Internal Audit Section through its Chief Auditor to:

- a. Have full, free, and unrestricted access to any and all records, physical property, and personnel pertinent to carry out any engagement with strict accountability for confidentiality, and safeguarding records and information.
- b. Allocate resources, set frequencies, select audit subjects, determine scope of work, and apply the techniques required to accomplish audit objectives.
- c. Obtain information and assistance from the necessary DOA and Government of Guam line agency personnel, as well as other specialized services from within or outside DOA and Government of Guam line agencies to fulfill its roles and responsibilities.
- d. Have a direct and unrestricted access and communicate to the Audit Committee or in its absence, to the Director without the presence of management.

VII. RESPONSIBILITY

The overall responsibilities of the Internal Audit Section through its Chief Auditor include the evaluation of:

- Risk exposure relating to the achievement of the organization's strategic objectives.
- Reliability and integrity of information and the means to identify, measure, classify and report full information.

- Compliance with policies, procedures, laws, and regulations, which would have a significant impact on DOA and Government of Guam agencies.
- Methods of safeguarding and verifying existence of assets.
- Effectiveness and efficiency on the use of resources and assets.
- Effectiveness of the organization's risk management processes.

The Chief Auditor also has responsibilities to:

- Coordinate and cooperate with other external reviewers or assurance providers.
- Ensure that the internal audit activity has the appropriate resources with regards to staff competency and skill.
- Provide and create opportunities for career advancement of staff auditors to be potential leaders.

VIII. INTERNAL AUDIT PLAN

At least annually, the Chief Auditor shall submit to the Audit Committee and Director an internal audit plan for review and approval.

The internal audit plan will be developed based on prioritization of audit universe using a risk-based methodology, including input from DOA management to prioritize the internal audit activities. The Chief Auditor will periodically review and adjust the plan, as necessary, in response to changes in DOA's operations, risks, programs, systems, and controls.

The Chief Auditor will communicate the Internal Audit plan and resource requirements, impact of resource limitations and any significant interim changes to the Audit Committee, or in his absence, to the Director through periodic activity reports.

IX. REPORTING AND MONITORING

The Chief Auditor shall prepare and issue a written report following the conclusion of each internal audit engagement and will be distributed to the appropriate officials, Directors, or managers of the audited entities.

The internal audit report will include management response and corrective action take or to be taken in regard to specific findings and recommendations. Management response should include a timetable for anticipated completion of action to be taken and the person responsible for completing the action, or an explanation for any corrective action that will not be implemented.

The Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open issues until cleared by the Audit Chief.

The Chief Auditor will periodically report to the Audit Committee, or in his absence, to the Director on the Internal Audit purpose, authority, and responsibility, as well as performance relative to its annual audit plan. The reporting includes significant risk exposure and control issues, including fraud risks, governance issues, and other matters requested by the Audit Committee or by the Director.

X. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Internal Audit Section shall develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the Internal Audit Section's conformance with the Definition of Internal Auditing and the Standards as well as an evaluation of whether internal auditors apply the IIA Code of Ethics.

The program will also assess the effectiveness and efficiency of the Internal Audit Section and identifies the opportunities for improvement.

An external assessment must be conducted at least once every five years by a qualified independent assessor or assessment team from outside organization. The Chief Auditor or designee will communicate to the Audit Committee and Director the quality assurance and improvement program, including results of ongoing internal assessments, and external assessments conducted at least every five years.

XI. REVIEW OF INTERNAL AUDIT CHARTER

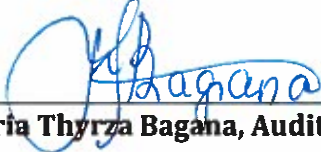
This Charter may be updated as necessary to reflect the Internal Audit Section's operations and assure that it remains effective and in line with best practices. Proposed changes or amendments to the Charter are subject to annual review, approval, and adoption by the Audit Committee and Director.

XII. ACKNOWLEDGEMENTS AND APPROVALS

Approved this 19th day of January 2021.



Andriana Quifugua, Auditor III



Maria Thyrza Bagana, Auditor III



Edith Pangelinan, Deputy Director



Edward Birn, Director