

# UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION

## INTERNAL AUDIT CHARTER<sup>1</sup>

### **Purpose**

COCOLIFE Internal Auditing is a function performed independently of management, objective assurance and consulting activity designed to add value and improve an organization's operations including those of its subsidiaries.

### **Mission**

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### **Standards for the Professional Practice of Internal Auditing**

The Internal Audit Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing ( ISPPIA), the Information Systems Audit Control Association (ISACA) and the Definition of Internal Auditing. The Chief Audit Executive will report periodically to senior management and the Board/ Audit Committee regarding the Internal Audit Department's conformance to the Code of Ethics and the Standards.

Control Objectives for Information and related Technology (COBIT) shall be the reference for the review and evaluation of information systems including hardware and software.

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<sup>1</sup> Approval of IA Charter , BOD Minutes of the Meeting , Feb. 28, 2020

## **Authority**

The Chief Audit Executive will report functionally to the Audit Committee and administratively to the President/ Chief Executive Officer. To establish, maintain, and assure that COCOLIFE's Internal Audit Department has sufficient authority to fulfill its duties, the Board / Audit Committee will:

- Approve the Internal Audit Department's charter.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Department's budget and resource plan.
- Receive communications from the Chief Audit Executive on the Internal Audit Department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the chief audit executive.
- Approve the remuneration of the chief audit executive.
- Make appropriate inquiries of management and the chief audit executive to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Executive will have ***unrestricted access*** to, and communicate and interact directly with, the Board/Audit Committee, including in private meetings without management present.

The Board/Audit committee authorizes the Internal Audit Department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Cocolife, as well as other specialized services from within or outside the Company, in order to complete the engagement.

## **Independence and Objectivity**

The Chief Audit Executive will ensure that the Internal Audit Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Company or its affiliates.
- Initiating or approving transactions external to the Internal Audit Department.
- Directing the activities of any Cocolife employee not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- Have no authority to release engagement records without prior approval of Chief Audit Executive. Engagement records shall comprise of audit reports, working papers, Internal Audit Department manual, audit Rating System, formats/ templates and all audit related documents.

The Chief Audit Executive will confirm to the Board/Audit Committee, at least annually, the organizational independence of the Internal Audit Department.

The Chief Audit Executive will disclose to the Board/Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board/Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Company. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Company’s strategic objectives are appropriately identified and managed.
- The actions of the Company’s officers, directors, employees, and contractors are in compliance with the Company’s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
  - Operations or programs are being carried out effectively and efficiently.
  - Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Company.
  - Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
  - Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Executive will report periodically to senior management and the Board/Audit committee regarding:

- The Internal Audit Department’s purpose, authority, and responsibility.
- The Internal Audit Department’s plan and performance relative to its plan.
- The Internal Audit Department’s conformance with The IIA’s Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board/Audit committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Company.

The Chief Audit Executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## **Responsibility**

The Chief Audit Executive has the responsibility to:

- Submit, at least annually, to senior management and the Board/Audit Committee/ a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Board / Audit Committee the impact of resource limitations on the internal audit plan.

- Review and adjust the internal audit plan, as necessary, in response to changes in Cocolife’s business, risks, operations, programs, systems, and controls.
- Communicate to Senior Management and the Board/Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Board/Audit committee/ any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact Cocolife are considered and communicated to senior management and the Board/Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- Ensure adherence to the Cocolife’s relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Board/Audit committee.
- Ensure conformance of the Internal Audit Department with the Standards, with the following qualifications:
  - If the Internal Audit Department is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - If the Standards are used in conjunction with requirements issued by other authoritative bodies , the Chief Audit Executive will ensure that the Internal Audit Department conforms with the Standards, even if the Internal Audit Department also conforms with the more restrictive requirements of other authoritative bodies.

## **Accountability**

Rules of Conduct Objectivity : Internal auditor shall disclose all material facts known to them, if not disclosed may distort the reporting of activities under review. Non conformance of such will warrant sanction based on the Company's Code of Conduct .

## **Scope Limitation**

A scope limitation is a restriction placed on the internal audit activity that precludes the activity from accomplishing its objectives and plans. Among other things, a scope limitation may restrict the:

- Internal audit activity's access to records, personnel, and physical properties relevant to the performance of engagements.
- Approved engagement work schedule.
- Performance of necessary engagement procedures.
- Approved staffing plan and financial budget.

In the event that the auditee / management places a scope limitation, the CAE along with its potential effect, needs to be communicated, preferably in writing, to the board thru the Audit Committee.

## **Quality Assurance and Improvement Program**

The Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department. The program will include an evaluation of the Internal Audit Department's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Department and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Board/Audit committee on the Internal Audit Department's quality assurance and improvement program, including results of internal assessments by an ISO group of Auditors of COCOLIFE .