MINUTES OF THE REGULAR SESSION OF THE SANGGUNIANG BAYAN OF GUIUAN, EASTERN SAMAR HELD ON March 26, 2025 AT THE MUNICIPAL SESSION HALL.

PRESENT:

HON. MARY CHARMAINE G. VILLAR	SB Member Presiding Officer Pro-Tempore
HON. ROGELIO O. CABLAO	SB Member
HON. FRANCIS ALDOUS B. SISON	SB Member
HON. JONAS B. ABUDA	SB Member
HON. CARLITO S. ABRUGAR, JR.	SB Member
HON. JOSE ERIC C. CORDERO	SB Member
HON. ULDRICK FRANZDALE C. SOMORAY	SB Member

ABSENT:

Official Business:

HON. VERONICA C. RAMIREZ	Mun. Vice-Mayor
HON. FLORIANO G. BAGRO, JR.	SB Member
HON. JOSUE P. SISON	SB Member
HON. ANTONIA R. CABLAO	SB Member

<u>**Ordinance No. 007, Series of 2025**</u>
(Sponsored by: Hon. Jose Eric C. Cordero)

AN ORDINANCE
CREATING THE OFFICE OF THE INTERNAL AUDIT SERVICE (IAS) OF THE MUNICIPALITY OF GUIUAN, EASTERN SAMAR.

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WHEREAS, there is a need for the Local Government of Guiuan to create the Office of the Internal Audit Services as mandated by R.A. No. 3456 as amended by R.A. No. 4177 *"Creating, Organizing, and Operating an Internal Audit Service in all Government Agencies which shall assist management to achieve efficient and effective Fiscal Administration and performance of agency affairs and functions"*;

WHEREAS, Administrative Order No. 278 issued on April 28, 1992, further provides that all heads of government offices, agencies, GOCCs including GFIs and

Local Government Units (LGUs) shall organize in their respective offices, the Internal Audit Service (IAS) which shall be an integral part of the office and shall assist the institution management to effectively discharge its responsibilities in so far as the same would not infringe on or be adversarial with those of the Commission on Audit or COA.

WHEREAS, to further reinforce the necessity of the creation of the Office, the DBM issued Local Budget Circular No. 153, dated August 31, 2023 or the Internal Audit Manual for Local Government Units (IAM for LGUs) 2023 Edition. This Circular prescribes the institutionalization of the IAM for LGUs. This edition serves as a reference for LGUs in establishing and thereafter strengthening their internal audit function to promote effective, efficient, economical and ethical operations in government;

NOW THEREFORE, Be It Ordained by this Sangguniang Bayan of Guiuan in session duly assembled that –

Section 1. Title. This Ordinance shall be known as the *"Municipal Internal Audit Services Ordinance of the Municipality of Guiuan"*.

Section 2. Legal Bases for the Creation of the Office of the Internal Audit Service. The following are the pertinent laws, orders, and issuances on the organization, staffing, functions, and activities of internal audit are hereby made as legal bases and integral parts of this Ordinance:

a) **Office of the President (OP) Administrative Order (AO) No. 119** dated March 29, 1989, *Directing the Strengthening of the Internal Control Systems (ICS) of Government Offices, Agencies, Government-Owned or Controlled Corporations and Local Government Units in their Fiscal Operations), as amended by* ***OP AO No. 278*** *dated April 28, 1992;*
b) **OP Memorandum Order No. 277** dated January 17, 1990, *Directing the Department of Budget Management to Promulgate the Necessary Rules, Regulations or Circulars for the Strengthening of the Internal Control Systems of Government Offices, Agencies, Government-Owned or Controlled Corporations, and Local Government Units;*
c) **OP AO No. 70** dated April 14, 2003 *(Strengthening of the Internal Control Systems of Government Offices Agencies, Government-Owned and Controlled Corporations, including Government Financial Institutions, State Universities and Colleges, and Local Government Units),* reiterated the authority for the creation of the IAU and its functions;
d) **DBM Budget Circular (BC) No. 2004-4** dated March 22, 2004 (*Guidelines on the Organization and Staffing of Internal Audit Units)* provides for the policy guidelines in the organization, staffing, positions, and salary grades (SG) of the IAU in Departments/Agencies/GOCCS/Government Financial Institutions (GFIs)/LGU concerned.
e) **OP MC No. 89** dated August 18, 2005 (*Reiterating Compliance with AO No. 70 series of 2003 Strengthening of the Internal Control Systems of Government Offices Agencies, Government-Owned and Controlled Corporations, including*

Government Financial Institutions, State Universities and Colleges, and Local Government Units and its Implementing Guidelines under DBM Budget Circular No. 2004-4) enjoined all heads of agencies to (a) create an IAU in compliance with OP AO No. 70 series of 2003; (b) observe the guidelines set forth under DBM BC No. 2004-4; and (c) submit a report of compliance with AO No. 70 series of 2003 and DBM BC No. 2004-4 to the Office of the Executive Secretary.

f) **DBM Circular Letter (CL) No. 2008-8** dated October 23, 2008 (*National Guidelines on Internal Control Systems [NGICS])*, provides guidance to heads of departments and agencies in designing, implementing, and monitoring their respective ICS, taking into consideration the requirements of their organizations. It emphasized that IAU, as a key part of the agency's ICS, is mandated in the agency structure to conduct a separate evaluation or appraisal of the ICS to determine whether or not internal controls are well-designed and properly implemented.

g) **DBM CL No. 2020-8** dated May 26, 2020 (*Revised Philippine Government Internal Audit Manual [PGIAM])* aims to assist government agencies concerned in the Executive Branch in establishing and thereafter strengthening their internal audit function to promote 4Es operations in the Government, among other objectives.

h) **Section 9 of CSC Memorandum Circular (MC) No. 12 series of 2022** dated November 8, 2022 (*2022 Guidelines and Standards in the Establishment of Organizational Structures and Staffing Patterns in LGUs)* provides that other offices and positions in the organizational structure and staffing pattern not provided under Sections 3 and 4 of the subject MC may be created by the LGUs, provided that they are the priority needs as identified by the LCE, the Sanggunian and/or the local development councils concerned consistent with Section 17 of the LGC, the mandatory positions shall have been created, and the budgetary limitations under Section 325 of the LGC have been complied with. Specifically, Sections 3 and 4 of **MC No. 12 series of 2022** identify, among others, the Office of the Internal Audit Services which may be created by the LGUs, subject to the provisions of Sections 1, 2, and 9 of the subjects of MC.

i) **BC No. 2004-4** dated March 22, 2004 (Guidelines on the Organization and Staffing of Internal Auditing Units (IAUs)- This circular applies to all national government agencies, including LGUs are categorized for provincial government, city government, and municipal government.

Section 3. Definition of Terms. For this Ordinance, the following terms and phrases are hereby defined as follows:

a. Internal Control – refers to the plan of organization and all the coordinated methods and measures adopted within the organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

b. Internal Audit – the evaluation of management controls and operations performance and the determination of the degree of compliance with laws, regulations, managerial policies, and contractual obligations. It is the appraisal of the plan of the organization and all the coordinated methods and measures to recommend courses of action on all matters relating to management control and operations audit.

c. *Internal Audit Services Office (IASO)- appraises the Internal Control System (ICS) to determine whether controls are well designed and properly implemented, and determines the adequacy of internal controls or whether it is achieving the objectives.*
d. *Accountability* – the obligation of an individual or institution to account for its activities, accepts responsibility for them, and disclose the results in a transparent manner.
e. *Compliance Audit* – evaluation of the degree of adherence with laws, regulations, managerial policies and operating procedures of government, including compliance with accountability measures and ethical standards and contractual obligations. It is a necessary first step to, and part of management and operations audits.
f. *Management Audit* – the separate evaluation of the effectiveness of the internal controls adopted in the operating and support services units/systems, whether or not it achieves the control objectives over a period of time or as of a specific date.
g. *Operations Audit* – the separate evaluation of the outcome, output, process and input to determine whether or not government operations, including management and personnel structure in programs/projects are effective, efficient, ethical and economical.
h. *Head of Internal Audit* – refers to the head or highest official of the Internal Audit Service Office of the Municipal Government of Guiuan. He/she has the overall responsibility for auditing the municipal government, managing the entire audit cycle and a team of internal auditors, and ensuring the quality of audit products produced by the team.
i. *Auditee*- is the senior official with overall responsibility for the organizational area being reviewed. This person will be the primary senior point of contact for the audit and be responsible for responding to the audit report, including the suggested course of action.

Section 4. Creation of the Internal Audit Service Office of Guiuan, Eastern Samar. The Internal Audit Service Office of Guiuan, Eastern Samar (IASOG) is now created which shall be an integral part of the Municipal Government organization and shall assist the management in the effective and efficient discharge of its responsibilities in so far as the same would not encroach on or adversarial with those of the auditors of the Commission on Audit. Moreover, with an operational internal audit function, LGU Guiuan would be able to instill public confidence in its ability to operate effectively, and strengthen the mechanism for ensuring stronger accountability to its respective constituents.

Section 5. Functions of the Internal Audit Service Office. The Internal Audit Services Office of Guiuan, Eastern Samar shall have the following functions pursuant to pertinent laws, orders, and issuances:

1. Advise the local chief executive or presiding officer of the Sanggunian on all matters relating to the separate evaluation of the ICS in the Executive or Legislative Branches, respectively;
2. Conduct management and operations audit of LGU functions and programs, projects, and activities (PPAs) with outputs, and determine the degree of

compliance with their mandate, policies, government regulations, established objectives, systems and procedures/processes, and contractual obligations;

3. Review and appraise systems and procedures, organizational structures, management practices, records, reports, and performance standards of the LGU;
4. Analyze and evaluate internal control deficiencies, conduct root cause analysis (RCA) in cases when controls are weak, and recommend realistic courses of action (corrective and preventive measures) for the LCE or the Presiding Officer of the Sanggunian to consider; and
5. Perform other internal audit-related duties and responsibilities, as may be assigned or delegated by the LCE or the Presiding Officer of the Sanggunian or as may be required by law.

Section 6. The Internal Audit Services Office of Guiuan shall have two divisions. These are the Management Audit Division and Operations Audit Division. They shall perform the following functions and duties:

1. **Management Audit Division**

The Management Audit Division shall evaluate the achievement of the control objectives, which include the safeguarding of assets, checking the accuracy and reliability of accounting data, adherence to managerial policies, compliance with laws, rules, and regulations by utilizing internal auditing methods. It has the following functions:

1. Conduct the evaluation of the degree of compliance of controls with laws, regulations, managerial policies in the LGU, including compliance with accountability measures, ethical standards, and contractual obligations.
2. Review and appraise the systems and processes, organizational and staffing structures, operations and management practices, records, reports, and performance standards of the agencies/units covered.
3. Conduct of a comprehensive and thorough examination of an organization or a specific operating or support system or work process.
4. Report to the LCE or Presiding Officer of the Sanggunian all matters relating to management control.
5. Recommend realistic courses of action, i.e. management and/or administrative action/s, to address inadequacy of internal controls.

2. **The Operations Audit Division**

The Operation Audit Division shall evaluate the extent of compliance and ascertain the effective, efficient, ethical, and economical execution of operations by utilizing internal auditing methods. The Division is tasked to perform the following functions:

1. Conduct the evaluation of the degree of compliance of controls with laws, regulations, operational procedures in the LGU, including compliance with accountability measures, ethical standards, and contractual obligations.
2. Assess whether government operations are effective, efficient, economical and ethical for better public services, accountability, and better governance.
3. Evaluate the outcome, output, processes, and inputs to determine whether or not government operations, programs, and projects achieve performance targets and expected results.
4. Undertake assessment of progress with respect to processes, projects, programs, their respective outputs or outcomes, or impact or change towards improving the condition of intended beneficiaries.
5. Recommend preventive and corrective courses of action if gaps, breakdowns, deficiencies and weaknesses in internal controls are identified.

Section 7. Creation of New Plantilla Positions in the Internal Audit Services Office of Guiuan. The following positions are hereby created under the Internal Audit Service Office of Guiuan, Eastern Samar:

1) 1 Internal Auditor (SG-24)
2) 1 Internal Auditor (SG-22)
3) 2 Internal Auditor II (SG-15)
4) 2 Internal Auditing Assistant (SG-8)

Section 8. Qualification Standards of Positions under the Internal Audit Services Office of Guiuan. As provided for by the Civil Service Commission's Basic Qualification Standards for Government Personnel, the following are the qualifications needed for the positions:

1. **Internal Auditor V (SG-24)**

Education:	Master's Degree
Experience:	4 years in position/s involving management and supervision
Training:	24 hours of training in management and supervision
Eligibility:	Career Service (Professional)/Second Level Eligibility

2. **Internal Auditor IV (SG-22)**

Education:	Bachelor's Degree relevant to the job
Experience:	3 years of relevant experience
Training:	16 hours of relevant training
Eligibility:	Career Service Professional (Second Level Eligibility)

3. **Internal Auditor II (SG-15)**

Education:	Bachelor's Degree relevant to the job
Experience:	1 year of relevant experience
Training:	4 hours of relevant training

Eligibility: Career Service Professional (Second Level Eligibility)

4. **Internal Auditing Assistant (SG-8)**
   Education: Completion of two years of studies in college
   Experience: 1 year of relevant experience
   Training: 4 hours of relevant training
   Eligibility: Career Service Sub-Professional (First Level Eligibility)

Section 9. Additional Duties and Functions and Detachment from Regular Functions. In addition to the duties and functions as provided in Sections 5 and 6 of this Ordinance, the IASO may be called upon to perform special assignments by the Municipal Mayor or the Sangguniang Bayan.

However, it shall not be responsible for or required to participate in procedures which are essentially a part of regular operating activities or in operations which are the primary responsibility of the delivery units in the organization.

The IASOG 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 QMS;
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, operating procedures of other offices;
e. Pre-audit of vouchers and counter-signature of checks;
f. Conduct of quality control activities, such as inspection of deliveries before acceptance;
g. Participation in asset management-related activities, such as the conduct of physical inventories, serving as the observers during the physical count and disposal activities, inspection of assets for disposal, and maintenance of property records;
h. 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;
i. 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
vi. Freedom of Information Receiving Officer and Decision Maker.

k. All other activities related to operations and non-internal audit functions.

Section 10. Management Support. The management plays a cooperative role in the course of the conduct by IASOG of internal audit. In doing so, they are responsible for the following:

a. Understand the audit objectives, scope, criteria, and methodology;
b. As authorized by the LCE or the Presiding Officer of the Sanggunian, as applicable, allow the IASO to have full, free, and unrestricted access to all functions, premises, assets, personnel, records, and other documents and information that the IASO considers necessary in undertaking the internal audit activities;
c. Provide comments and insights about the significant audit issues as a way of validating the IASO findings;
d. Comply with the approved audit findings and recommendations;
e. Implement preventive and corrective measures and corrections to address the approved findings and recommendations; and
f. Provide feedback and suggestions regarding the performance of the IASO in its audit engagements.

Section 11. Conduct of Internal Audit. Internal Audit shall be performed by reliance on a number of principles that auditors must adhere to. The following principles help make an effective and reliable tool in support of management policies and controls to wit:

1. Hierarchy of Applicable Internal Auditing Standards and Practice

a. The Philippine Constitution;
b. Laws, rules and regulations on public governance and accountability, and applicable jurisprudence;
c. Government policies, standards, guidelines, and regulatory issuances;
d. Local ordinances and resolutions;
e. Standards and other issuances of intergovernmental organizations such as those of the United Nations specialized committees and agencies; and
f. Relevant or applicable standards and best practices in governance, accountability, and operations, both local and international such as those of International Organization for Standardization, and other officially recognized organizations and associations.

2. Objectivity and Impartiality, and Avoidance of Conflict of Interest

The internal auditor should avoid conflict of interest at all times. He should constantly maintain an impartial, unbiased attitude, characterized by integrity and an objective approach to work, and be conscious of and alert to factors that may give rise to a conflict of interest.

To be objective and impartial, the internal auditors shall, at all times: (1) uphold public interest over and above personal interest; (2) have no direct authority or responsibility for the activities they review nor any responsibility for developing or implementing processes or systems; (3) not engage in regular functions or activities which are the primary duties of another department or office; and (4) not have a vested interest in the activity being audited.

3. Professional Competence

Internal auditors must maintain high standards of competence and professional integrity commensurate with his/her responsibilities and mandated functions, both in the technical and ethical sense, through empowerment and continuing self-development.

4. Authority and Confidentiality

The LCE shall authorize internal auditors to have full, free, and unrestricted access to all functions, premises, assets, personnel, records, and other documents and information that the IASO considers necessary and relevant in undertaking internal audit activities. Internal auditors shall respect the confidentiality of information acquired while performing audit activities and should not use or disclose any such information without proper and specific authority unless there is a legal or professional right or duty to disclose.

5. Evidence-Based Approach

Internal auditors should be able to gather sufficient evidential matters in support of their findings and recommendations. Pieces of evidence need to be relevant, reliable, sufficient, appropriate, and timely.

6. Code of Conduct and Ethics

Internal auditors are bound by the Code of Conduct and Ethical Standards for Public Officials and Employees (RA No. 6713) in the performance of their functions. Rule X of the implementing guidelines of RA No. 6713 identifies the acts and omissions of any official or employee and that internal auditors must familiarize themselves with these acts.

Section 12. Appropriations. The funding requirements for the creation and operationalization of the IASOG shall be incorporated in the FY 2026 Budget.

Section 13. Separability Clause. Should any provision in this ordinance be declared unconstitutional by any competent court, the remaining provisions shall remain valid and legal.

Section 14. Repealing Clause. Any ordinance, rules and regulations and executive issuances found inconsistent with the provisions of this ordinance are hereby repealed or modified accordingly.

Section 15. Effectivity. This ordinance shall take effect upon its approval.

ENACTED AND APPROVED: March 26, 2025, at Guiuan, Eastern Samar.

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HON. ROGELIO O. CABLAO SISON
SB Member

HON. FRANCIS ALDOUS B.
SB Member

HON. JONAS B. ABUDA
SB Member

HON. CARLITO S. ABRUGAR, JR.
SB Member

HON. ANTONIA R. CABLAO
SB Member

HON. JOSE ERIC C. CORDERO
SB Member

HON. ULDRICK FRANZDALE C. SOMORAY
SB Member
SK Federation President

I hereby certify to the correctness of the foregoing Ordinance:

RECTITO A. MELQUIADES
Secretary to the Sangguniang Bayan

By:

ATTY. ARVIN ANTHONY L. LABICANE
Local Legislative Staff Officer I

Attested by:

Mary Charmaine P. Gonzales - Villar

HON. MARY CHARMAINE G. VILLAR
SB Member & Presiding Officer Pro-Tempore

Approved:

HON. ANNALIZA P. GONZALES-KWAN
Municipal Mayor