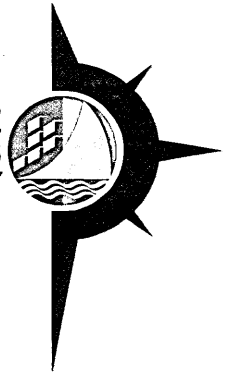


DEC 04 2020

PPA MEMORANDUM CIRCULAR
NO. 044 -2020



PHILIPPINE
PORTS
AUTHORITY



TO : All Assistant General Managers
Port Managers
Department Managers
RC Heads
Service Agents/Cargo Handlers and
Other Concerned

SUBJECT : REMOTE AUDITING AND AMENDMENT TO REPORTING AND
MONITORING PROCEDURES OF IAD

1. Rationale

Internal Audit performs a vital role in promoting effective, efficient, ethical and economical operations of the Authority. There is a need to institute Remote Auditing Procedures in order to continue the conduct of Internal Audit of the Authority in cases where travel is severely restricted (ex. pandemic). Further, it is necessary to streamline its audit report and monitoring procedure.

2. Objectives

- 2.1 Institute procedures for the implementation of Remote Auditing Procedures during state of emergency and/or other restrictions.
- 2.2 Integrate advanced information technology to enable the continuation of audit implementation despite restrictions effected by state of emergency and/or other restrictions.
- 2.3 Update internal audit reporting and monitoring procedures.

3. Scope

This Memorandum Circular shall cover remote auditing, audit reporting and monitoring procedures of the Internal Audit Department.

4. Definition of Terms

- 4.1. **Remote Audit** - refers to the use of Information Communication Technology (ICT) to remotely perform internal and CPEs audit by obtaining audit evidence(s) and evaluating these objectively to determine the extent of conformity with the audit criteria when "face-to-face" methods are not possible or desired. It can cover document and record review, tours of premises, interviews and presentation of findings by using Information Communication Technology, among others.

- 4.2. **On-site Audit** - is face to face audit where an internal and/or CPEs auditor travels to the site of the auditee to gather audit evidence, review transaction document, conduct interview and perform site inspection.
- 4.3. **Information Communication Technology (ICT)** – are Electronic Platform and/or Application that will be used in the conduct of Remote Audit.
- 4.4. **Remote Audit Validation** – random audit to validate documents, videos and/or files submitted during remote audit, when traveling conditions becomes favorable.

5. Remote Audit Procedure

5.1. Audit Objectives

The IAD Manager, upon recommendation of the IAD Division Manager(s), shall determine if the conduct of Remote Audit can substantially achieve the audit objectives. If it is determined that the audit objectives cannot be substantially achieved through Remote Audit, the audit shall be postponed until favorable travel condition.

5.2. ICT Platform

- 5.2.1. Only official PPA email address shall be used by PPA auditee to communicate and/or submit documents during audit. Third-party auditees (i.e. terminal operator, CHOs, private ports, constructors, etc.) shall submit to the internal and/or CPEs auditors the list of official email addresses that will be used during audit.
- 5.2.2. MS Teams using the Office 365 account of PPA shall primarily be the communication and collaboration platform for the conduct of remote audit.
- 5.2.3. Due to limitations and/or rapid changes in technology, the IAD Manager may replace the use of MS Teams and determine additional appropriate ICT platform to be used.

5.3. Submission of Required Documents

5.3.1. The documents request by the internal and/or CPEs auditor shall be made through any ICT platform and shall be submitted by the auditee within the following time frame:

Document	Submission timeframe
a. Initial list (pre-audit)	Within 3 working days from receipt of request
b. Documents requested during audit period	Within 24 hours from receipt of request

- 5.3.2. Any documents not received and/or withheld from the internal and/or CPEs auditors within the provided timeframe shall be considered as missing and can be made part of its observation.
- 5.3.3. Documents shall be uploaded by any authorized personnel of the Auditee to MS Teams and/or any other pre-accepted ICT Platform.

- 5.3.4.** To ensure integrity of documents, all pages must be in PDF format and shall bear the non-repudiation digital signature of the authorized personnel of the Auditee. Otherwise, the Auditee or his authorized representative shall issue a Certification that all documents/files submitted to the auditors are certified true copy of the document.

5.4. Audit Proper

5.4.1. Virtual Interview Room (VIR)

- 5.4.1.1.** In lieu of face-to-face interview, auditors will open a Virtual Interview Room using ICT for the conduct of interview of auditees.
- 5.4.1.2.** The auditor shall keep record of all video calls/conferences conducted.
- 5.4.1.3.** A day before the scheduled VIR, the internal auditor/s shall communicate with the auditee that an interview will be conducted. The time of the interview will be agreed upon.

5.4.2. Virtual Site Inspection

- 5.4.2.1.** The following modes may be used for the conduct of the virtual inspection:
- a. Video Call
 - b. Video Recording
- 5.4.2.2.** If internet is unavailable, the auditee's authorized personnel shall conduct and record the inspection and send the video file to the auditors.
- 5.4.2.3.** The auditor/s shall communicate with the auditee at least 24 hours before the inspection. The time and mode of the inspection will be agreed upon.

5.4.3. Closing Meeting

After the conduct of remote audit, a draft audit report (DAR) will be prepared and presented to the Auditee for their comments through ICT platform that has a recording feature. The video conference will be recorded.

5.4.4. Remote Audit Validation

After the conduct of Remote Audit and when conditions become favorable for travel, internal auditor and/or CPEs may conduct a Remote Audit Validation. This is to check the integrity and/or authenticity of documents, video and files that was used as basis for the audit findings/conclusion. RAV results shall be included as annex to the audit report.

6. Internal Audit Report

- 6.1.** The Internal Audit Report is a Confidential Document and is strictly for the Officers identified in the approved IAD Report Distribution List.
- 6.2.** Original copy of the Audit Report shall be kept by IAD, while copies shall be provided in accordance with the distribution list approved by the General Manager.

- 6.3. Audit findings that the IAD Manager assess to pose a risk to PPA that needs to be addressed by Management, shall be communicated through an Internal Audit Memorandum to the concerned AGM's providing details of said findings and audit recommendations.
- 6.4. IAD Manager shall submit a quarterly report to the PPA Board/Auditcom, copy furnished the GM, on the result of audits conducted, its attendant risk, compliance and actions taken of the auditees for information and/or guidance of the Board/Auditcom.

7. Monitoring of Actions Taken

- 7.1. Within 90 days from receipt of the audit report, PPA RCs/PMOs, as Auditee, shall complete all actions and ensure complete compliance of all auditees, under their jurisdiction, to close out all the findings disclosed in the report and submit the Report of Compliance to Audit Findings to IAD.
- 7.2. Extension to comply with audit findings, maximum of 90 days, may be requested by the Auditee (Service Provider) thru the PMO concerned and Auditee (PPA RCs/PMOs) thru the AGM concerned, subject to approval of the General Manager.
- 7.3. Failure to close out the report within the allowed time frame will result in the deduction of a percentage point for every audit report in the total performance rating of the RC/PMO in their OPCR up to a maximum cumulative deduction of five percentage points annually.
- 7.4. PMO/RC who has jurisdiction over the CHOs/Service Providers Audited shall monitor and ensure compliance of the latter to the audit findings within the same time frame.

8. Repealing Clause

This specifically repeals Section 5.1 and 7.1 of PPA MC No. 08-2015 and all other issuances inconsistent herewith.

9. Effectivity

This Circular takes effect immediately.

For compliance.


JAY DANIEL R. SANTIAGO
General Manager