



PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
139 25th Street, Port Area
1018 Manila

NHQ-PCG/CGIA

21 September 2025

**STANDING OPERATING PROCEDURE
NUMBER 12-25**

GUIDELINES ON THE CONDUCT OF INTERNAL AUDIT ENGAGEMENTS

1. AUTHORITY

- A. Administrative Order No. 278 dated 28 April 1992;
- B. Administrative Order No. 70 dated 14 April 2003;
- C. DBM Circular Letter No. 2023-14, entitled "Revised Guidelines on the Organization and Staffing of an Internal Audit Unit (IAU) in Departments, Agencies, SUCs, GOCCs/GFIs, and LGUs" dated 27 October 2023;
- D. HPCG General Order No. 61 dated 16 May 2000;
- E. Memorandum Order No. 277 dated 17 January 1990;
- F. Republic Act No. 9993, entitled "Philippine Coast Guard Law of 2009" and its Implementing Rules and Regulations dated 27 July 2009;
- G. Republic Act No. 3456, entitled "Internal Auditing Act of 1962", As Amended by Republic Act No. 4177; and
- H. Section 1 of Administrative Order No. 119 dated 29 March 1989.

2. REFERENCES

- A. DBM Circular Letter No. 2020-8, entitled "Revised Philippine Government Internal Audit Manual (RPGIAM)" dated 26 May 2020; and
- B. NHQ-PCG Memorandum Circular No. 11-19, entitled "Guidelines and Procedures for the Issuance of Coast Guard Internal Audit Observation Memorandum (CGIAOM) and Issuance of AQ, AOM, ND issued by COA to be transmitted by CGIA" dated 27 November 2019.

3. PURPOSE

This policy sets clear guidelines for planning, executing, reporting and following up on internal audit engagements within the PCG. It is designed to ensure that audits are carried out with objectivity, efficiency and effectiveness while adhering to established rules, policies and regulations.

4. SCOPE

This policy applies to all internal audit engagements approved by the Commandant, Philippine Coast Guard (CPCG), including special audits that may be subsequently authorized.

5. DEFINITION OF TERMS

- A. **Auditee** – refers to the Coast Guard Officer, Enlisted Personnel and Non-Uniformed Personnel, and/or Coast Guard Units with overall responsibility for the organizational area being reviewed.
- B. **Coast Guard Internal Audit Observation Memorandum (CGIAOM)** – document issued by the CGIA used to document and communicate to the Office or Unit regarding the observations noted relating to financial/operational deficiencies noted in the audit addressed to the Head of the Office/ District Commander and concerned personnel requesting for their comments/ explanation.
- C. **Entrance Conference** – presentation of scope of audit by the CGIA Internal Audit Team to the Management of concerned Units/Office/ concerned personnel.
- D. **Exit Conference** – internal audit activity presenting the observations/ findings noted during the conduct of audit.
- E. **Final Internal Audit Report** – report and findings submitted to the CPCG summarizing observations after considering submitted comments from the auditee together with corresponding recommendations.
- F. **Initial Audit Report** – report submitted to Commander, CGIA together with replies and comments summarizing the observations/ findings noted from auditees together with suggested recommendations from Internal Auditors.
- G. **Internal Audit** – evaluation of management controls and operations performance, and the determination of the degree of compliance of internal controls with laws, regulations, managerial policies, accountability measures, ethical standards and contractual obligations. It involves the appraisal of the plan of organization and all the coordinated methods and measures, in order to recommend courses of action on matters relating to operations audit and management control.¹

¹ Administrative Code of 1987

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- H. **Internal Audit Engagement Planning** – internal audit activity that requires thorough understanding of the auditee’s processes along with familiarization with objectives, risk and controls of the auditee and activity to be audited, and developing a strategy and approach in conducting the audit.
- I. **Internal Audit Execution** – internal audit activity that involves actual performance of audit techniques and procedures enumerated in the audit engagement plan to gather data and pieces of evidence to achieve the stated audit objective/s.
- J. **Internal Audit Reporting** – internal audit activity that represents the culmination of audit execution and the associated analysis and considerations made during the audit.
- K. **Noted Deficiencies** – evident irregularities founded/ noted in the audit or other official report related to financial/ operational matters.

6. GENERAL GUIDELINES

- A. The term "Internal Auditing", its related functions and conduct of any kind of audit of the PCG and processes unless provided by law shall be exclusively carried out by an agency's designated Internal Audit Service. In the Philippine Coast Guard, this responsibility rests solely with the Coast Guard Internal Audit (CGIA) pursuant to Administrative Order Nr. 70 s. 2003 dated 14 April 2003 "Strengthening of the Internal Control Systems of Government Offices, Agencies, Government-owned and/or Controlled Corporations, including government Financial Institutions, State Universities and Colleges and Local Government Units".
- B. The approved Annual Audit Work Plan and/or directive from CPCG is the primary reference in conducting internal audit engagement.
- C. The CPCG grants and authorizes internal auditors full, free and unrestricted access to all functions, premises, assets, personnel, records and any other document or information deemed necessary by the Commander, Coast Guard Internal Audit (C, CGIA) or his/her designated Internal Audit Teams in carrying out audit activities², except in matters concerning national security.
- D. Internal Auditors should be free from bias, impartial and avoid any conflict of interest.³ Thus, the following events may impair or be presumed to impair their professional judgment:
 - i. Internal auditors shall not audit a unit or office where they were previously assigned unless at least one (1) year has passed since their reassignment. Additionally, they shall not audit any work that was carried out during their tenure in that Unit or Office.

² Revised Philippine Government Internal Audit Manual, page 30

³ Ibid, page 29

- ii. Internal auditors shall not audit a Sub-Unit if they have relatives up to the second degree of consanguinity or affinity within that Sub-Unit. However, they may audit other Sub-Units within the same mother unit. This restriction also extends to former classmates from any PCG courses to maintain impartiality and prevent potential conflict of interest. The assigned internal auditors shall immediately inform the Audit Team Leader and/or the Director of IAMC upon becoming aware of them to effectively address the concern.
- E. Internal Auditors must maintain high standards of competence and professional integrity commensurate with their responsibilities and mandated functions. They should commit to the highest degree of professional competence, both in the technical and ethical sense, through empowerment and continuing self-development. They must possess and continually develop the knowledge, skills and other competencies needed to perform their responsibilities in order to continually enhance the quality of audit.⁴
- F. All newly assigned personnel, regardless of rank, who become part of an Internal Audit Team but have limited knowledge, training and experience in internal auditing shall be designated as Junior Internal Auditors. They will be provided with relevant training, seminars or equivalent learning opportunities on internal auditing and/or the specific topics covered in the approved audit scope to ensure they are well-equipped for their role.
- G. All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The internal auditor should respect the confidentiality of information acquired in the course of performing the internal audit activities and should not use or disclose any such information without proper and specific authority from the CPCG, unless there is a legal or professional right or duty to disclose.⁵
- H. The CGIA shall not release or provide copies of internal audit plans, reports or any related supporting documents to third parties, including other PCG units and/or PCG personnel outside the CGIA, unless a formal written request is submitted and duly approved by the CPCG.⁶
- I. Internal Auditors are bound by the Code of Conduct and Ethical Standards for Public Officials and Employees in the performance of their functions. Rule X of the Rules implementing said Code affirms as grounds for administrative disciplinary action at least twenty-three (23) acts or omissions declared unlawful or prohibited by the Code.⁷

⁴ Revised Philippine Government Internal Audit Manual, page 30

⁵ Ibid

⁶ Ibid

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- J. Internal auditors are strictly prohibited from accepting fees, gifts or entertainment from auditees, personnel or any other parties that could impair or be perceived as impairing their professional judgement.
- K. Internal auditors should be able to gather sufficient evidential matters in support of their findings and recommendations. Audit evidence covers all information that permit the internal auditor to reach reliable conclusions through valid reasoning. Pieces of evidence need to be relevant, sufficient and appropriate.⁸
- L. Internal auditors will be sourced from the Internal Audit Management Center (IAMC). However, if manpower is limited or there is a lack of experienced personnel, additional internal auditors may be designated from other CGIA Units and Offices upon the recommendation of the Director, IAMC, and approval of the C, CGIA.
- M. The designated Internal Audit Team shall be assigned through a CGIA Special Order, specifying the audit scope, team composition, audit fieldwork location and schedule.
- N. The Training Institute for Internal Auditors (TIIA) of the CGIA, or its equivalent, may establish an internal audit team composed of its students to conduct audits as part of their curriculum. These audits will be supervised by the IAMC Internal Auditors or other experienced personnel from the CGIA and will be considered part of the regular auditing process. The said team shall submit all necessary internal audit reports and documentation to be approved by the Director, IAMC, even after graduation. Audit scope shall be based on the annual audit work plan or any subsequent directives of the CPCG. Non-compliance will result in administrative liability in accordance with existing rules and regulations.
- O. Concerned auditees are required to cooperate in all internal audit activities and procedures. In the event that an auditee fails to attend the activity or refuses to be audited, they shall be directed to submit an explanation addressed to the CPCG. Should the explanation be deemed unsatisfactory, disciplinary action will be imposed in accordance with existing PCG rules and regulations.
- P. A Supervising Internal Auditor, who is not part of the Internal Audit Team, shall be designated for each internal audit engagement to review internal audit documents, including but not limited to CGIAOMs and Audit Reports, as well as to provide consultation and guidance to the Internal Audit Team. The Supervising Internal Auditor shall be from IAMC; however, if there is a lack of manpower or scheduling conflicts, an experienced internal auditor from other CGIA Units and Offices may be designated.

⁷ Revised Philippine Government Internal Audit Manual, page 31

⁸ Ibid

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- Q. An Internal Auditing Assistant from IAMC shall be designated for each internal audit engagement to monitor the completion of internal audit documents, remind teams of deadlines and submissions, and facilitate the routing of documents for review until approval and/or endorsement by the C, CGIA. Furthermore, the Internal Auditing Assistant shall ensure that review comments are properly routed and addressed throughout the internal audit team.
- R. Review comments on the CGIAOM and internal audit report shall be routed down the line of the Internal Audit Team to ensure proper dissemination and provide guidance on addressing the comments.

7. PROCEDURES

A. INTERNAL AUDIT PLANNING

1. Creation of Internal Audit Team for the Conduct of Audit

1.1. The IAMC shall prepare a recommended composition of Internal Audit Team.

1.1.1. Each team shall be composed of at least four (4) members.

1.1.2. Each team shall be composed of an Internal Audit Team Leader, Assistant Internal Audit Team Leader, Senior Internal Auditor and Junior Internal Auditor. Provided, the C, CGIA may join as the Head of Delegation or designate any personnel as her representative, along with one (1) personal staff.

1.2. Once composed, it should be submitted by the Director, IAMC to the Office of the Deputy Chief of Internal Audit Staff for Operations, IA-3.

1.3. The DC of IAS for Operations, IA-3 shall prepare a Disposition Form (DF) requesting approval for the proposed internal audit team composition, audit schedule and available funds for conducting the audit. The DF will be routed to the relevant staff office, the Chief of Staff, CGIA, and the Deputy Commander, CGIA, prior to final approval by the C, CGIA.

1.4. The approved DF will be submitted to the Office of the Deputy Chief of Internal Audit Staff for Human Resource Management, IA-1 for the issuance of directives to the Internal Auditor Adjutant, followed by the publication of the appropriate order.



1.5. The Internal Audit Team, led by its Team Leader, shall convene a planning meeting with all the members to outline the internal audit activities and prepare the necessary requirements.

1.6. The IAMC shall prepare and send the following to concerned PCG Unit:

1.6.1 Audit Notification to Auditee indicating the following information:

- 1.6.1.1. Audit scope
- 1.6.1.2. Audit date
- 1.6.1.3. Concerned auditees
- 1.6.1.4. Submission of documentary requirements relevant to the conduct of audit
- 1.6.1.5. Submission of name of focal person/ coordinator including contact number

1.6.2. Memoranda to concerned/related Office for other related documentary requirements etc.

1.7. The IAMC shall coordinate with the Office of the Deputy Chief of Internal Audit Staff for Education and Training, IA-12 to request and schedule presentations and lectures on topics related to the audit scope. These sessions, conducted by subject matter experts, will provide the assigned Internal Audit Team with refresher training and clarifications on audit procedures and key aspects of the audit before the scheduled engagement.

1.8. The Internal Audit Team Leaders shall conduct a briefing for all members, distribute and assign tasks, and prepare necessary documents such as the following:

- 1.8.1. Internal Audit Engagement Plan
- 1.8.2. Internal Audit Program
- 1.8.3. Internal Audit Checklist/Questionnaire
- 1.8.4. Entrance Conference PowerPoint with the following details:

- 1.8.4.1. Audit scope
- 1.8.4.2. Audit objectives
- 1.8.4.3. Audit criteria
- 1.8.4.4. Audit sampling (if applicable)

- 1.8.4.5. Audit timeline
- 1.8.4.6. Internal Audit Team composition
- 1.8.4.7. Auditee/s

1.9. Internal Audit Engagement Plan shall be approved by the C, CGIA while Internal Audit Program and Internal Audit Checklist/Questionnaire shall be approved by the Director, IAMC.

1.10. The received flowcharts, policies and related documents shall be reviewed to gain an overview and familiarity with the processes. Meanwhile, mandatory reports and documentary requirements shall be inspected, with observations and/or findings recorded for reference and verification during the audit testing.

B. INTERNAL AUDIT EXECUTION

1. Entrance Conference

1.1. The Internal Audit Team Leader shall conduct an Entrance Conference to be attended by the Internal Audit Team Delegation, the Management of the Unit (Commander, Deputy Commander and Chief of Staff) to be audited, and the concerned personnel involved on the process subject for audit. The concerned Unit to be audited shall prepare the program of Entrance Conference with the below suggested flow:

PROGRAM	RESPONSIBLE
Prayer	Auditee
National Anthem	All Hands
Welcome Remarks	Auditee
Introduction of the Attendees of the Unit to be Audited	Auditee
Presentation of Internal Audit Engagement	Internal Audit Team
Brief Message of the Internal Audit Team Head of Delegation	Internal Audit Team

2. Gathering and Analysis Evidence

2.1. Conduct a walkthrough with the personnel involved on the process to be audited to gain a clear understanding of the transaction flow, including how transactions are initiated, processed, authorized, recorded and reported.

2.2. Gather facts and evidence to assess the level of compliance based on the established audit criteria.

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2.3. Evaluate the documents presented; if the auditee fails to meet the requirements, request supporting documents as substantial evidence.

2.4. Inspect the pertinent documents submitted by the auditee to verify the accuracy of all reports and records.

2.5. Draw conclusions based on the current setup and practices observed through interviews, inspections and sampling. Assess these findings against established criteria to identify any gaps or discrepancies and determine their probable causes.

2.6. Develop audit findings detailing the following:

2.6.1. Criteria – The standards against which a condition is compared, i.e., laws, rules and regulations, policies, orders, guidelines procedures, plans, targets and contractual obligations.

2.6.2. Condition – A fact, supported by substantial evidence. The condition refers to what is currently being done or the current situation. This is also referred to as the finding of facts.

2.6.3. Conclusion – The evaluation of the criteria and the conditions to determine: (1) the degree of compliance or non-compliance of control with laws, regulations and policies; (2) the control effectiveness or ineffectiveness; and (3) the efficiency, effectiveness, ethicality and economy of agency operations

2.6.4. Cause – The immediate and proximate reason/s for the condition for which substantial evidence will be used as basis of the audit recommendation.

2.6.5. Risk – The effect of uncertainty on the expected result.

3. Exit Conference

3.1. An Exit Conference shall be conducted by the Internal Audit Team on the final day of fieldwork and/or upon the completion of sample testing. It shall be attended by the Management of the audited Unit (Commander, Deputy Commander and Chief of Staff) and the concerned audited personnel to discuss initial audit findings and observations. This conference provides an opportunity for the auditee to share comments and insights. Only the relevant criteria, observed current conditions, and concerned auditees shall be presented.

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C. INTERNAL AUDIT REPORTING

1. Preparation of CGIAOM

1.1. The Internal Audit Team shall issue a Coast Guard Internal Audit Observation Memorandum (CGIAOM) or any equivalent discussing the audit findings – criteria, condition and related risk.

1.1.1. Junior Internal Auditor – Consolidate audit findings and details based on those presented during the Exit Conference, along with any additional findings. This includes compiling relevant documentation and supporting documents gathered during the audit.

1.1.2. Senior Internal Auditor - Draft the CGIAOM by formulating clear audit finding titles and providing a detailed discussion of each finding, ensuring they are supported by relevant documentation.

1.1.3. Assistant Internal Audit Team Leader – Review the format and completeness of audit findings, ensuring that all audit review comments are properly reflected.

1.1.4. Internal Audit Team Leader – Conduct a final review of the CGIAOM, verifying that findings are clearly presented, properly discussed and adequately supported by sufficient and appropriate evidence.

1.2. Upon review and signature of the CGIAOM by the Internal Audit Team Leader, it will be further reviewed by the Supervising Internal Auditor, followed by the Director of IAMC, and then the Legal Officer, Chief of Staff and the Deputy Commander, CGIA. Finally, it will be submitted for approval and signature of the Commander, CGIA. Provided that the Supervising Internal Auditor(s) shall review and sign the CGIAOM drafted by the TIIA students on their behalf.

1.3. The CGIAOM shall be released to the concerned Unit/auditees **not later than ten (10) working days after the last day of fieldwork or the Exit Conference, whichever comes later.** An "Auditor's Findings/Observations and Management Comment" form (**Annex A**) shall be attached to the CGIAOM to itemize audit observations, allowing the auditee and the management to provide explanations or justifications for each observation, ensuring easy review and evaluation.



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1.4. The responses and replies to the CGIAOMs including submission of other reports as required by the CGIA pertaining to the conduct of internal audit engagement by the concerned unit/personnel shall be submitted **not later than five (5) working days upon receipt**. Failure to submit a reply will result in the issuance of a follow-up memorandum for a second (2nd) and third (3rd) notice, each with a set deadline. Non-compliance after the third notice will be subject to administrative disciplinary action in accordance with existing PCG rules and regulations.

2. Preparation of Internal Audit Report

2.1. The Internal Audit Team shall consolidate, review and evaluate the auditee's justification and management comments on the issued CGIAOM.

2.2. The Internal Audit Team shall draft the internal audit report detailing the observations and findings discussed in the CGIAOM, incorporating the submitted justifications and comments.

2.2.1. Junior Internal Auditor – Consolidate the justifications and comments from the concerned unit/personnel, along with any supporting documentation provided.

2.2.2. Senior Internal Auditor – Draft the Internal Audit Report, incorporating findings from the issued CGIAOM and the corresponding comments on each finding.

2.2.3. Assistant Team Leader – Review the format and completeness of the findings from the CGIAOM and provide practical recommendations for each finding.

2.2.4. Team Leader – Conduct the final review of the Internal Audit Report, ensuring the correct format and the practicality and applicability of the suggested recommendations.

2.3. Upon review and signature of the Internal Audit Report by the Internal Audit Team Leader and his/her members, it will be further reviewed by the Supervising Internal Auditor, followed by the Director of IAMC.

2.4. The Internal Audit Report shall be approved and released by the Director, IAMC for further review and approval **not later than 10 working days** after receiving the last CGIAOM reply.



2.5. Upon approval of the Internal Audit Report by the Director, IAMC, the IAMC shall draft a memorandum to the CPCG requesting approval of the suggested recommendations, along with the draft memoranda/directives to the concerned PCG Unit/personnel for its implementation, subject to CPCG's approval and signature. The same, together with the Internal Audit Report, shall be forwarded to the Legal Officer, Chief of Staff, and Deputy Commander, CGIA for further review. Finally, it will be submitted for endorsement and signature of the Commander, CGIA.

2.6. The IAMC shall use the **Auditee's Action Plan and Commitment to Approved Recommendations (AAPCAR) (Annex B)** to summarize audit findings, document actions taken and/or planned, specify the date of completion or intended completion, indicate the implementation status (implemented, partially implemented or not implemented), and identify any cause of delay, if applicable. The AAPCAR, along with the CPCG signed/approved memoranda or directives, shall be forwarded to the concerned PCG Unit for completion and submission to CGIA **not later than ten (10) working days upon receipt**. It must be signed by the Head of the Unit (e.g., District Commander/Head of Office, etc.). Failure to submit the accomplished AAPCAR will result in the issuance of a follow-up memorandum, followed by a second (2nd) and third (3rd) notice, each with a designated deadline. Non-compliance after the third notice shall be subject to administrative disciplinary action in accordance with existing PCG rules and regulations.

2.7. The IAMC shall request feedback from auditees regarding the conduct of the internal audit engagement. A standard Internal Audit Feedback Sheet (***Annex C***) shall be used and completed by the Auditee's Management (Commander, Deputy Commander or Chief of Staff).

2.8. A Consolidated Internal Audit Feedback Report shall be presented to the Commander, CGIA, and other relevant staff (if applicable) at the end of the year to assess performance and identify areas for improvement.

D. INTERNAL AUDIT FOLLOW-UP

1. Monitoring of Implementation of Approved Audit Findings and Recommendations

1.1. Upon transmittal and receipt of memoranda, directives and the AAPCAR for the implementation of the CPCG-approved recommendations, the IAMC, in coordination with the assigned Internal Audit Team, shall conduct a follow-up on the unit's compliance as indicated in the submitted and accomplished AAPCAR, **three (3) months after receipt of AAPCAR.**

1.2. Confirmation of implementation shall be carried out through the inspection of submitted documentary proof and/or an on-site inspection.

2. Resolution of the Non-Implementation or Inadequate Implementation of Audit Recommendations

2.1. In the event of non-implementation of recommendation/inadequate action by auditees/ process owners, the CGIA through the IAMC recommends appropriate legal and/or management remedies/corrective actions in accordance with existing PCG rules and regulations.

3. Preparation of the Audit Follow-up Report

3.1. Where possible, the Internal Audit Follow-up Report should:

3.1.1. Describe the results of the internal auditor's analysis of actual against projected benefits for the period under review;

3.1.2. Summarize the extent of implementation of the approved recommendations;

3.1.3. Highlight cases where the auditee's performance in implementing recommendations have been particularly inadequate; and

3.1.4. Describe the actions, if any, that the auditor intends to take in relation to inadequate auditee's actions.

8. DUTIES AND RESPONSIBILITIES

A. INTERNAL AUDITORS

1. Comply with the government's Code of Conduct and Ethical Standards for Public Officials and Employees;



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2. Possess the knowledge, skills and technical and functional expertise;
3. Acquire the skills in dealing with people and communicating audit findings and recommendations and related issues effectively;
4. Regularly improve technical competence through a program of professional development;
5. Exercise due professional diligence in the performance of duties;
6. Keep the confidentiality of information;
7. Maintain internal audit records; and
8. Foster teamwork in performing the internal audit function.

B. AUDITEE/S

1. Understand the audit objectives, scope, criteria and methodology;
2. As authorized by CPCG, allow the CGIA to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documents and information that CGIA considers necessary in undertaking internal audit activities;
3. Provide comments and insights about the significant internal audit issues as a way of validating the findings;
4. Comply with the approved internal audit findings and recommendations;
5. Implement preventive and corrective measures to address the approved findings and recommendations; and
6. Provide feedback and suggestions regarding the performance of the CGIA in its internal audit engagements⁹.

9. SANCTIONS

The Coast Guard Internal Audit shall oversee the implementation of these guidelines, and any non-compliance will result in administrative disciplinary measures in accordance with the PCG Code of Conduct, without prejudice to any existing laws governing internal auditing in the Philippine Government.

⁹Revised Philippine Government Internal Audit Manual, page 80-81

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10. REPEALING CLAUSE

PCG circulars, policies and other issuances that are inconsistent with the provisions of this SOP are hereby amended and modified accordingly.

11. SEPARABILITY CLAUSE

Should any provision or part of this SOP be declared invalid, the other provisions, so far as separable from the invalid provisions, shall remain in force and effect.

12. EFFECTIVITY

This SOP shall take effect upon publication.

BY COMMAND OF ADMIRAL GAVAN PCG:

OFFICIAL:

GLIDE GENE MARY G SONTILLANOSA
COMMO **PCG**
Acting Chief of Coast Guard Staff


JAYSIEBELL B FERRER
CDR **PCG**
Coast Guard Adjutant

Annex:

- A - *Auditors Findings/Observations and Management Comment*
- B - *Auditee's Action Plan and Commitment to Approved Recommendations (AAPCAR)*
- C - *Auditee Feedback Sheet*



(Unit Header)

Auditors Findings/Observations and Management Comment

CG/AOM Nr: _____

As of _____

No.	Audit Findings/Observations	Management Comment

Prepared by: _____

Auditee

Approved by: _____

Unit Head

_____ Date

_____ Date

(Unit Header)

Auditee's Action Plan and Commitment to Approved Recommendations (AAPCAR)
 As of _____

No.	Audit Recommendations	Auditee's Action Plan			Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
		Action Plan	Person/ Unit Responsible	Target Implementation Date			
				From	To		

Prepared by: _____

Auditee _____

Date _____

Approved by: _____

Unit Head _____

Date _____

Note: Status of Implementation may either be a) Fully Implemented, b) Ongoing, c) Not Implemented, d) Partially Implemented, or e) Delayed

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PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS

(National Headquarters Philippine Coast Guard)

COAST GUARD INTERNAL AUDIT

3F 637 Delgado Building Bonifacio Drive corner

25th Street Port Area, 1018 Manila



AUDITEE FEEDBACK SHEET

Unit Name : _____
 Address : _____
 Date : _____

Audit Scope : _____
 Covering Period : _____
 Internal Audit Team Leader : _____
 Internal Audit Asst. Team Leader : _____
 Senior Internal Auditor : _____
 Junior Internal Auditor : _____

No	Audit Quality	Agree	Disagree	Remarks (pls indicate reason if you disagree)
1	Entrance meeting was held and all questions/comments were adequately addressed by the Audit Team.			
2	The objectives and scope of audit were discussed.			
3	The audit was completed within the timeframe communicated.			
4	The audit was conducted in a professional and courteous manner.			
5	The Audit Team kept us informed of key issues throughout the audit.			
6	The exit conference provided us the opportunity to discuss our comments on the observations and recommendations made by the audit team.			

7	All our key concerns were attended to by the Audit Team.			
8	The audit observations and recommendations contained in the audit report were properly communicated.			
9	The audit report reflected our comments and/or actions taken/to be taken.			
10	The overall audit provided value to the unit.			

Any suggestions to improve future audits.

Accomplished by:

Concurred by:

Auditee

Unit Head

Date

Date



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PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
Office of the Deputy Chief of Staff for Human Resource Management, CG-1
139 25th St., Port Area
1018 Manila

MEMORANDUM

To : **CDR JAYSIEBELL B FERRER PCG**
Coast Guard Adjutant

From : **DC of CGS for Human Resource Management, CG-1**

Subject : **Publication of Approved Standing Operating Procedure (SOP) entitled "Guidelines on the Conduct of Internal Audit Engagements"**

Date : 12 September 2025

1. References:

- a. CG-3 Initiated DF with File Nr CGOPNS-0825-034 dated 14 August 2025
- b. CPCG Approved Memo from DC of CGS for Operations, CG-3 dated 16 June 2025

2. Above references pertains to the CPCG approved Standing Operating Procedure (SOP) entitled "Guidelines on the Conduct of Internal Audit Engagements".

3. In this regard, requests for the publication and dissemination of aforementioned SOP (*Encl*).

4. For your favorable consideration.

GLIDE GENE MARY G SONTILLANOSA
COMMO **PCG**

Encl: CPCG Approved Standing Operating Procedure (SOP) entitled "Guidelines on the Conduct of Internal Audit Engagements"

PHILIPPINE COAST GUARD
OFFICE OF THE COAST GUARD ADJUTANT

RECEIVED BY: ASU Doblado PCG
DATE: 21 2148 SEP 25



DISPOSITION FORM	SECURITY CLASSIFICATION (if any)
FILE NR: CGOPNS-0825-034	SUBJECT: ISSUANCE OF APPROPRIATE ORDERS ON GUIDELINES ON THE CONDUCT OF INTERNAL AUDIT ENGAGEMENT, REQUEST FOR THE

TO: CG-1

FM: CG-3

DATE: 14 August 2025 COMMENT NR
CG CAPT DAA CARIÑO/AB/amm-6131

SUMMARY:

1. Reference: Approved MEMO dated 16 June 2025
2. In view of the above reference, request issuance of publication of the approved Guidelines on the Conduct of Internal Audit Engagement effective as of 17 June 2025.
3. For consideration.


---CARIÑO---



PAMBANSANG PUNONGHIMPILAN TANODBAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
Office of the Deputy Chief of Coast Guard Staff for Operations, CG-3
139 25th Street, Port Area
1018 Manila

05 June 2025

From : Deputy Chief of Coast Guard Staff for Operations, CG-3

For : Commandant, Philippine Coast Guard

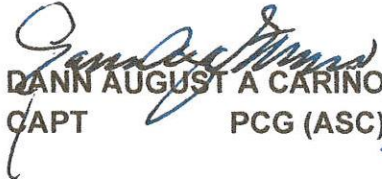
Via : (1) Deputy Commandant for Operations
(2) Acting Deputy Commandant for Administration
(3) Chief of Coast Guard Staff

Subject : Comment on the HWN of Commandant, Philippine Coast Guard on the Approval and Publication of the Proposed Guidelines on the Conduct of Internal Audit Engagement

References : a. Letter from CGIA dated 30 April 2025
b. CPCG HWN dated 04 April 2025

1. Submitted herewith is the response of Commander, CGIA on the HWN of Commandant, Philippine Coast Guard on the approval and publication of the proposed Guidelines on the Conduct of Internal Audit Engagement.

2. For favorable consideration.


DANN AUGUST A. CARINO
CAPT PCG (ASC)





Department of Transportation
 PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG
 (National Headquarters Philippine Coast Guard)

No further
 comments
 05/29/20



CGOPNS-0325-031

ROUTING/ACTION SLIP

(Always attached this Form to All Communications)

APPROVAL AND PUBLICATION ON
 PROPOSED GUIDELINES ON THE
 CONDUCT OF INTERNAL AUDIT
 ENGAGEMENT, REQUEST FOR

31 Mar 2025

18 MARCH 2025

#. 143 156

LN#:24573

ACTION/S UNDER			
DATE/TIME	FROM Position and Name of Official / Signature	TO Position and Name of Official / Signature	REMARKS
	A/CG-3		
07 Apr 25	A/DCA PLS refer to CPCG ISWN. For OJA. Feedback pls	A/CG-3	DCA, ① Can we not accept simply disallow of gifts? ② Would this make contract of mandatory procurement?
			04 APR 2025

DISPOSITION FORM	SECURITY CLASSIFICATION (if any)
FILE NR: CGOPNS-0325-03	SUBJECT: APPROVAL AND PUBLICATION ON PROPOSED GUIDELINES ON THE CONDUCT OF INTERNAL AUDIT ENGAGEMENT, REQUEST FOR

TO: CPCG
VIA: DCO
ADCA

FM: CCGS

DATE: MAR 26 2025 COMMENT NR
COMMO JM SIMO-AG /AGB/rmmg-6131

A/CG-3 18 Mar '25
CG-1 20 Mar '25

SUMMARY:

1. Reference: Letter from the Commander, Coast Guard Internal Audit dated 13 March 2025

2. Above reference pertains to the request of the C, CGIA for the approval and publication on proposed guidelines on the conduct of Internal Audit Engagement. The Internal Audit engagement of CGIA is a vital mechanism in ensuring accountability, operational efficiency, and compliance with established regulations. It serves as a safeguard against risks, inefficiencies, and potential irregularities that may compromise the integrity of the organization. It is crucial to have a clear guideline and a well-defined framework that outlines the proper conduct of audits.

3. Further, the CGIA, through the Internal Audit Management Center (IAMC), formulated proposed guidelines for the efficient, transparent, and systematic evaluation of the PCG's operations, programs, and financial processes.

4. Based on the foregoing review of Coast Guard Legal Service, they strongly support and finds the guidelines on the conduct of Internal Audit Engagements fully compliant with existing legal frameworks which strengthens PCG's governance, accountability, and operational efficiency while ensuring adherence to national auditing laws and regulations.

CONCLUSION:

5. In this regard, CG-3 concurs and recommends the approval and publication of the proposed Guidelines on the Conduct of Internal Audit Engagement. Further, CG-1/CGAO to issue appropriate order and publication of the Circular upon approval of this disposition.

6. Cognizant staff and I concur.

RECOMMENDATION:

7. Approval of para 5.

★ ★ ★ ★

DATE _____

APPROVED / DISAPPROVED

COMMANDANT


 ---CORNELIO---



PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS
(National Headquarters Philippine Coast Guard)
139 25th St, Port Area
1018 Manila

NHQ-PCG/CGIA

(DATE)

STANDARD OPERATING PROCEDURES
NUMBER.....XXXXX

GUIDELINES ON THE CONDUCT OF INTERNAL AUDIT ENGAGEMENTS

I. AUTHORITY:

- A. Republic Act (R.A) No. 9993 (The Philippine Coast Guard [PCG] Law of 2009);
- B. Republic Act (R.A) No. 3456 "Internal Auditing Act of 1962" As Amended by Republic Act No. 4177;
- C. Section 1 of Administrative Order (AO) No. 119 dated 29 March 1989
- D. Administrative Order (AO) No. 278 dated 28 April 1992;
- E. Memorandum Order No. 277 dated 17 January 1990;
- F. Administrative Order (AO) No. 70 dated 14 April 2003;
- G. DBM Circular Letter No 2023-14 dated 27 October 2023 "Revised Guidelines on the Organization and Staffing of an Internal Audit Unit (IAU) in Departments, Agencies, SUCs, GOCCs/GFIs, and LGUs"; and
- H. HPCG General Order No. 61 dated 16 May 2000

II. REFERENCES:

- A. DBM Circular Letter No. 2020-8 dated 26 May 2020 "Revised Philippine Government Internal Audit Manual (RPGIAM) "; and
- B. NHQ-PCG MC No. 11-19 dated 27 November 2019 "Guidelines and Procedures for the Issuance of Coast Guard Internal Audit Observation Memorandum (CGIAOM) and Issuance of AQ, AOM, ND issued by COA to be transmitted by CGIA".

III. PURPOSE:

This policy sets clear guidelines for planning, executing, reporting, and following up on internal audit engagements within the PCG. It is designed to ensure that audits are carried out with objectivity, efficiency, and effectiveness while adhering to established rules, policies, and regulations.

IV. SCOPE:

This policy applies to all internal audit engagements approved by the Commandant, Philippine Coast Guard (CPCG), including special audits that may be subsequently authorized.

V. DEFINITION OF TERMS

A. Auditee – Refers to the Coast Guard Officer, Non-Officer and Non-Uniformed Personnel, and/or Coast Guard Units with overall responsibility for the organizational area being reviewed.

B. Coast Guard Internal Audit Observation Memorandum (CGIAOM) - A document issued by the CGIA used to document and communicate to the office or unit regarding the observations noted relating to financial/operational deficiencies noted in the audit addressed to the Head of the Office/ District and concerned personnel requesting for their comments/ explanation.

C. Entrance Conference- The presentation of scope of audit by the CGIA Internal Audit Team to the Management of concern Units/Office/concerned Personnel.

D. Exit Conference – The internal audit activity presenting the observations/ findings noted during the conduct of audit.

E. Final Internal Audit Report – The report and findings submitted to the CPCG summarizing observations after considering submitted comments from the auditee together with corresponding recommendations.

F. Initial Audit Report – The report submitted to Commander, CGIA together with replies and comments summarizing the observations/ findings noted from auditees together with suggested recommendations from Internal Auditors.

G. Internal Audit – An evaluation of management controls and operations performance, and the determination of the degree of compliance of internal controls with laws, regulations, managerial policies, accountability measures, ethical standards and contractual obligations. It involves the appraisal of the plan of organization and all the coordinated methods and measures, in order to recommend courses of action on matters relating to operations audit and management control.¹

¹ Administrative Code of 1987

H. Internal Audit Engagement Planning - The internal audit activity that requires thorough understanding of the auditee's along with familiarizations with objectives, risk and controls of the auditee and activity to be audited, and developing a strategy and approach in conducting audit.

I. Internal Audit Execution – The internal audit activity that involves actual performance of audit techniques and procedures enumerated in the audit engagement plan to gather data and pieces of evidence to achieve the stated audit objective/s.

J. Internal Audit Reporting – The internal audit activity that represents the culmination of audit execution and the associated analysis and considerations made during the audit.

K. Noted Deficiencies- These are the evident irregularities founded/ noted in the audit or other official report related to financial/ operational matters.

VI. GENERAL GUIDELINES

A. The term "Internal Auditing", its related functions and conduct of any kinds of audit of the PCG and processes unless provided by law shall be exclusively carried out by an agency's designated Internal Audit Service. In the Philippine Coast Guard, this responsibility rests solely with the Coast Guard Internal Audit (CGIA) pursuant to Administrative Order Nr. 70 s. 2003 dated 14 April 2003 "Strengthening of the Internal Control Systems of Government Offices, Agencies, Government-owned and/or Controlled Corporations, including government Financial Institutions, State Universities and Colleges and Local Government Units".

B. The approved Annual Audit Work Plan and/or directive from CPCG is the primary reference in conducting internal audit engagement.

C. The CPCG grants and authorizes internal auditors full, free, and unrestricted access to all functions, premises, assets, personnel, records, and any other documents or information deemed necessary by the Commander, Coast Guard Internal Audit (C, CGIA) or their designated Internal Audit Teams in carrying out audit activities², except in matters concerning national security.

D. Internal Auditors should be free from bias, impartial and avoid any conflict of interest.³ Thus, the following events may impair or be presumed to impair their professional judgment:

² Revised Philippine Government Internal Audit Manual, page 30

³ Ibid, page 29

- i. Internal auditors shall not audit a unit or office where they were previously assigned unless at least one (1) year has passed since their reassignment. Additionally, they shall not audit any work that was carried out during their tenure in that unit or office.
- ii. Internal auditors shall not audit a sub-unit if they have relatives up to the second degree of consanguinity or affinity within that sub-unit. However, they may audit other sub-units within the same mother unit. This restriction also extends to former classmates from any PCG courses to maintain impartiality and prevent potential conflict of interest. The assigned internal auditors shall immediately inform the Audit Team Leader and/or the Director of IAMC upon becoming aware of them to effectively address the concern.

E. Internal Auditors must maintain high standards of competence and professional integrity commensurate with his/her responsibilities and mandated functions. He/she should commit to the highest degree of professional competence, both in the technical and ethical sense, through empowerment and continuing self-development. He/she must possess and continually develop the knowledge, skills and other competencies needed to perform their responsibilities in order to continually enhance the quality of audit.⁴

F. All newly assigned personnel, regardless of rank, who become part of an Internal Audit Team but have limited knowledge, training, and experience in internal auditing shall be designated as Junior Internal Auditors. They will be provided with relevant training, seminars, or equivalent learning opportunities on internal auditing and/or the specific topics covered in the approved audit scope to ensure they are well-equipped for their role.

G. All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The internal auditor should respect the confidentiality of information acquired in the course of performing the internal audit activities and should not use or disclose any such information without proper and specific authority from the CPCG, unless there is a legal or professional right or duty to disclose.⁵

H. The CGIA shall not release or provide copies of internal audit plans, reports, or any related supporting documents to third parties, including other PCG units and/or PCG Personnel outside the CGIA, unless a formal written request is submitted and duly approved by the CPCG.⁶

⁴ Revised Philippine Government Internal Audit Manual, page 30

⁵ Ibid

⁶ Ibid

I. Internal auditors are bound by the Code of Conduct and Ethical Standards for Public Officials and Employees in the performance of their functions. Rule X of the Rules Implementing said Code affirms as grounds for administrative disciplinary action at least twenty-three (23) acts or omissions declared unlawful or prohibited by the Code.⁷

J. Internal auditors are strictly prohibited from accepting fees, gifts, or entertainment from auditees, personnel, or any other parties that could impair or be perceived as impairing their professional judgement.

K. Internal auditors should be able to gather sufficient evidential matters in support of their findings and recommendations. Audit evidence covers all information that permit the internal auditor to reach reliable conclusions through valid reasoning. Pieces of evidence need to be relevant, sufficient and appropriate.⁸

L. Internal auditors will be sourced from the Internal Audit Management Center (IAMC). However, if manpower is limited or there is a lack of experienced personnel, additional internal auditors may be designated from other CGIA Units and Offices upon the recommendation of the Director, IAMC, and approval of the C, CGIA.

M. The designated Internal Audit Team shall be assigned through a CGIA Special Order, specifying the audit scope, team composition, audit fieldwork location, and schedule.

N. The Training Institute for Internal Auditors (TIIA) of the CGIA, or its equivalent, may establish an internal audit team composed of its students to conduct audits as part of their curriculum. These audits will be supervised by the IAMC Internal Auditors or other experienced personnel from the CGIA and will be considered part of the regular auditing process. The said team shall submit all necessary internal audit reports and documentation to be approved by the Director, IAMC, even after graduation. Audit scope shall be based on the annual audit work plan or any subsequent directives of the CPCG. Non-compliance will result in administrative liability in accordance with existing rules and regulations.

O. Concerned auditees are required to cooperate in all internal audit activities and procedures. In the event that an auditee fails to attend the activity or refuses to be audited, they shall be directed to submit an explanation addressed to the CPCG. Should the explanation be deemed unsatisfactory, disciplinary action will be imposed in accordance with existing PCG rules and regulations.

⁷ Revised Philippine Government Internal Audit Manual, page 31

⁸ Ibid

P. A Supervising Internal Auditor, who is not part of the Internal Audit Team, shall be designated for each internal audit engagement to review internal audit documents, including but not limited to CGIAOMs and Audit Reports, as well as to provide consultation and guidance to the Internal Audit Team. The Supervising Internal Auditor shall be from IAMC; however, if there is a lack of manpower or scheduling conflicts, an experienced internal auditor from other CGIA Units and Offices may be designated.

Q. An Internal Auditing Assistant from IAMC shall be designated for each internal audit engagement to monitor the completion of internal audit documents, remind teams of deadlines and submissions, and facilitate the routing of documents for review until approval and/or endorsement by the C, CGIA. Furthermore, the Internal Auditing Assistant shall ensure that review comments are properly routed and addressed throughout the internal audit team.

R. Review comments on the CGIAOM and internal audit report shall be routed down the line of the Internal Audit Team to ensure proper dissemination and provide guidance on addressing the comments.

VII. PROCEDURES:

A. INTERNAL AUDIT PLANNING

1. Creation of Internal Audit Team for the Conduct of Audit

1.1. The IAMC shall prepare a recommended composition of Internal Audit Team.

1.1.1. Each team shall compose of at least four (4) members.

1.1.2. Each team shall be composed of an Internal Audit Team Leader, Assistant Internal Audit Team Leader, Senior Internal Auditor, and Junior Internal Auditor. Provided, the C,CGIA may join as the Head of Delegation or designate any personnel as her representative, along with one (1) personal staff.

1.2. Once composed, it should be submitted by the Director, IAMC to the Office of the Deputy Chief of Internal Audit Staff for Operations, IA-3.

1.3. The DC of IAS for Operations, IA-3 shall prepare a Disposition Form (DF) requesting approval for the proposed internal audit team composition, audit schedule, and available funds for conducting the audit. The DF will be routed to the relevant staff office, the Chief of Staff, CGIA, and the Deputy Commander, CGIA, prior to final approval by the Commander, CGIA.

1.4. The approved Disposition Form (DF) will be submitted to the Office of the Deputy Chief of Internal Audit Staff for Human Resource Management (IA-1) for the issuance of directives to the Internal Auditor Adjutant, followed by the publication of the appropriate order.

1.5. The Internal Audit Team, led by its team leader, shall convene a planning meeting with all members to outline the internal audit activities and prepare the necessary requirements such as:

1.6. The IAMC shall prepare and send the following to concern PCG Unit:

1.6.1 Audit Notification to Auditee indicating the following information:

- 1.6.1.1. Audit scope
- 1.6.1.2. Audit date
- 1.6.1.3. Concern auditees
- 1.6.1.4. Submission of documentary requirements
- 1.6.1.5. Relevant on the conduct of audit
- 1.6.1.6. Submission of name of focal
- 1.6.1.7. Person/coordinator including contact number

1.6.2. Memoranda to concerned/related office for other related documentary requirements etc.

1.7. The IAMC shall coordinate with the Office of the Deputy Chief of Internal Audit Staff for Education and Training (IA-12) to request and schedule presentations and lectures on topics related to the audit scope. These sessions, conducted by subject matter experts, will provide the assigned Internal Audit Team with refresher training and clarifications on audit procedures and key aspects of the audit before the scheduled engagement.

1.8. The Internal Audit Team Leaders shall conduct a briefing for all members distribute and assign tasks, and prepare necessary documents such as the following:

- 1.8.1. Internal Audit Engagement Plan
- 1.8.2. Internal Audit Program
- 1.8.3. Internal Audit Checklist/Questionnaire
- 1.8.4. Entrance Conference PowerPoint with the details below:
 - 1.8.4.1. Audit scope
 - 1.8.4.2. Audit objectives
 - 1.8.4.3. Audit criteria

- 1.8.4.4. Audit sampling (if applicable)
- 1.8.4.5. Audit timeline
- 1.8.4.6. Internal audit team composition
- 1.8.4.7. Auditee/s

1.9. Internal Audit Engagement Plan shall be approved by the C,CGIA while Internal Audit Program and Internal Audit Checklist/Questionnaire shall be approved by the Director, IAMC.

1.10. The received flowcharts, policies, and related documents shall be reviewed to gain an overview and familiarity with the processes. Meanwhile, mandatory reports and documentary requirements shall be inspected, with observations and/or findings recorded for reference and verification during the audit testing.

B. INTERNAL AUDIT EXECUTION

1. Entrance Conference

1.1. The Internal Audit Team Leader shall conduct an Entrance Conference to be attended by the Internal Audit Team Delegation together with the Management of the Unit to be Audited together with the concern personnel involve in the process to be audited. The suggested flow of entrance conference to be prepared by the concern Unit to be Audited is be as follows: The Internal Audit Team Leader shall conduct an Entrance Conference attended by the Internal Audit Team delegation, the Management of the Unit (Commander, Deputy Commander and Chief of Staff) to be audited, and the concerned personnel involved in the audited process. The concerned Unit to be audited shall prepare the program of Entrance Conference. Below is the suggested flow:

<i>Program</i>	<i>Responsible</i>
Prayer	Auditee
National Anthem	All Hands
Welcoming Remarks	Auditee
Introduction of the Attendees of Unit to be Audited	Auditee
Presentation of Internal Audit Engagement	Internal Audit Team
Brief Message of the Internal Audit Team Head of Delegation	Internal Audit Team

2. Gathering and Analysis Evidence

2.1. Conduct a walkthrough with the personnel involved in the audited process to gain a clear understanding of the transaction flow, including how transactions are initiated, processed, authorized, recorded, and reported.

2.2. Gather facts and evidence to assess the level of compliance based on the established audit criteria.

2.3. Evaluate the documents presented; if the auditee fails to meet the requirements, request supporting documents as substantial evidence.

2.4. Inspect the pertinent documents submitted by the auditee to verify the accuracy of all reports and records.

2.5. Draw conclusions based on the current setup and practices observed through interviews, inspections, and sampling. Assess these findings against established criteria to identify any gaps or discrepancies and determine their probable causes.

2.6. Develop audit findings detailing the following:

2.6.1. Criteria - The standards against which a condition is compared, i.e., laws, rules and regulations, policies, orders, guidelines procedures, plans, targets and contractual obligations.

2.6.2. Condition - A fact, supported by substantial evidence. The condition refers to what is currently being done or the current situation. This is also referred to as the finding of facts.

2.6.3. Conclusion - The evaluation of the criteria and the conditions to determine: (1) the degree of compliance or non-compliance of control with laws, regulations and policies; (2) the control effectiveness or ineffectiveness; and (3) the efficiency, effectiveness, ethicality, and economy of agency operations

2.6.4. Cause - The immediate and proximate reason/s for the condition for which substantial evidence will be used as basis of the audit recommendation.

2.6.5. Risk - The effect of uncertainty on the expected result.

3. Exit Conference

3.1. An Exit Conference shall be conducted by the Internal Audit Team on the final day of fieldwork and/or upon the completion of sample testing. It shall be attended by the Management of the audited Unit (Commander, Deputy Commander and Chief of Staff) and the concerned audited personnel to discuss initial audit findings and observations. This

conference provides an opportunity for the auditee to share and insights. Only the relevant criteria, observed current conditions, and concerned auditees shall be presented.

C. INTERNAL AUDIT REPORTING

1. Preparation of CGIAOM

1.1. The Internal Audit Team shall issue a Coast Guard Internal Audit Observation Memorandum (CGIAOM) or any equivalent discussing the audit findings – criteria, condition, and related risk.

1.1.1. Junior Internal Auditor – Consolidates audit findings and details based on those presented during the Exit Conference, along with any additional findings. This includes compiling relevant documentation and supporting documents gathered during the audit.

1.1.2. Senior Internal Auditor - Draft the CGIAOM by formulating clear audit findings titles and providing a detailed discussion of each finding, ensuring they are supported by relevant documentation.

1.1.3. Asst. Internal Audit Team Leader – Reviews the format and completeness of audit findings, ensuring that all audit review comments are properly reflected.

1.1.4. Internal Audit Team Leader – Conducts a final review of the CGIAOM, verifying that findings are clearly presented, properly discussed, and adequately supported by sufficient and appropriate evidence.

1.2. Upon review and signature of the CGIAOM by the Internal Audit Team Leader, it will be further reviewed by the Supervising Internal Auditor, followed by the Director of IAMC, and then the Legal Officer, Chief of Staff, and Deputy Commander. Finally, it will be submitted for approval and signature by the Commander, CGIA. Provided that the Supervising Internal Auditor(s) shall review and sign the CGIAOM drafted by the TIIA students on their behalf.

1.3. The CGIAOM shall be released to the concerned unit/auditees **no later than ten (10) working days after the last day of fieldwork or the Exit Conference, whichever comes later.** An "Auditor's Findings/Observations and Management Comment" form (**Annex A**) shall be attached to the CGIAOM to itemize audit observations, allowing

the auditee and management to provide explanations or justifications for each observation, ensuring easy review and evaluation.

1.4. The responses and replies to the CGIAOMs including submission of other reports as required by the CGIA pertaining to the conduct of internal audit engagement by the concerned unit/personnel shall be submitted **no later than five (5) working days upon receipt**. Failure to submit a reply will result in the issuance of a follow-up memorandum for a second (2nd) and third (3rd) notice, each with a set deadline. Non-compliance after the third notice will be subject to administrative disciplinary action in accordance with existing PCG rules and regulations.

2. Preparation of Internal audit report

2.1. The Internal Audit Team shall consolidate, review and evaluate the auditee's justification and management comments on the issued CGIAOM.

2.2. The Internal Audit Team shall draft the internal audit report detailing the observations and findings discussed in the CGIAOM, incorporating the submitted justifications and comments.

2.2.1. Junior Internal Auditor – Consolidates received justifications and comments from the concerned unit/personnel, along with any supporting documentation provided.

2.2.2. Senior Internal Auditor – Drafts the internal audit report, incorporating findings from the issued CGIAOM and the corresponding comments on each finding.

2.2.3. Asst Team Leader - Reviews the format and completeness of the findings from the CGIAOM and provides practical recommendations for each finding.

2.2.4. Team Leader – Conducts the final review of the internal audit report, ensuring the correct format and the practicality and applicability of the suggested recommendations.

2.3. Upon review and signature of the internal audit report by the Internal Audit Team Leader and his/her members, it will be further reviewed by the Supervising Internal Auditor, followed by the Director of IAMC.

2.4. The internal audit report shall be approved and released by the Director, IAMC for further review and approval **no later than 10 working days** after receiving the last CGIAOM reply.

2.5. Upon approval of the internal audit report by the Director, IAMC, the IAMC shall draft a memorandum to the CPCG requesting approval of the suggested recommendations, along with the draft memoranda/directives to the concern PCG unit/personnel for its implementation, subject to the CPCG's approval and signature. The same together with the internal audit report shall now be forwarded to the Legal Officer, Chief of Staff, and Deputy Commander for further review. Finally, it will be submitted for endorsement and signature by the Commander, CGIA.

2.6. The IAMC shall use the **Auditee's Action Plan and Commitment to Approved Recommendations (AAPCAR) (Annex B)** to summarize audit findings, document actions taken and/or planned, specify the date of completion or intended completion, indicate the implementation status (implemented, partially implemented, or not implemented), and identify any cause of delay, if applicable. The AAPCAR, along with the CPCG signed/approved memoranda or directives, shall be forwarded to the concerned PCG Unit for completion and submission to CGIA **no later than ten (10) working days upon receipt**. It must be signed by the Head of the Unit (e.g., District/Command Commander, Head of Office, etc.). Failure to submit the accomplished AAPCAR will result in the issuance of a follow-up memorandum, followed by a second (2nd) and third (3rd) notice, each with a designated deadline. Non-compliance after the third notice shall be subject to administrative disciplinary action in accordance with existing PCG rules and regulations.

2.7. The IAMC shall request feedback from auditees regarding the conduct of the internal audit engagement. A standard Internal Audit Feedback Sheet (***Annex C***) shall be used and completed by the Auditee's Management (Commander, Deputy Commander, or Chief of Staff).

2.8. A Consolidated Internal Audit Feedback Report shall be presented to the Commander, CGIA, and other relevant staff (if applicable) at year-end to assess performance and identify areas for improvement.

D. INTERNAL AUDIT FOLLOW-UP

1. Monitoring of Implementation of Approved Audit Findings and Recommendations

1.1. Upon transmittal and receipt of memoranda, directives, and the AAPCAR for implementing the CPCG-approved recommendations, the IAMC, in coordination with the assigned Internal Audit Team, shall conduct a follow-up on the implementation of the approved

recommendations as indicated in the submitted and accomplished AAPCAR, ***three (3) months after receipt of AAPCAR.***

1.2. Confirmation of implementation shall be carried out through the inspection of submitted documentary proof and/or an on-site inspection.

2. Resolution of the Non-implementation or Inadequate Implementation of Audit Recommendations

2.1. In the event of non-implementation of recommendation/ inadequate action by auditees/process owners, the CGIA through the IAMC recommends appropriate legal and/or management remedies for non-implementation of recommendations and inadequate preventive/corrective actions in accordance with existing PCG rules and regulations.

3. Preparation of the Audit Follow-up Report

3.1. Where possible, the Internal Audit Follow-up report should:

3.1.1. Describe the results of the internal auditor's analysis of actual against projected benefits for the period under review;

3.1.2. Summarize the extent of implementation of the approved recommendations;

3.1.3. Highlight cases where the auditee's performance in implementing recommendations have been particularly inadequate; and

3.1.4. Describe the actions, if any, that the auditor intends to take in relation to inadequate auditee's actions.

VIII. DUTIES AND RESPONSIBILITIES

1. INTERNAL AUDITORS

1.1. Comply with the government's Code of Conduct and Ethical Standards for Public Officials and Employees;

1.2. Possess the knowledge, skills, technical and functional expertise;

1.3. Acquire the skills in dealing with people and communicating audit findings and recommendations and related issues effectively;

1.4. Regularly improve their technical competence through a program of professional development;

- 1.5. Exercise due professional diligence in performing their duties;
- 1.6. Keep the confidentiality of information;
- 1.7. Maintain internal audit records; and
- 1.8. Foster teamwork in performing the internal audit function.

2. AUDITEE/S

- 2.1. Understand the audit objectives, scope, criteria and methodology;
- 2.2. As authorized by CPCG allow the CGIA to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documents and information that CGIA considers necessary in undertaking internal audit activities;
- 2.3. Provide comments and insights about the significant internal audit issues as a way of validating the its findings;
- 2.4. Comply with the approved internal audit findings and recommendations;
- 2.5. Implement preventive and corrective measures, and corrections to address the approved findings and recommendations; and
- 2.6. Provide feedback and suggestions regarding the performance of the CGIA in its internal audit engagements⁹.

IX. SANCTIONS

The Coast Guard Internal Audit shall oversee the implementation of these guidelines, and any non-compliance will result in administrative disciplinary measures in accordance with the PCG Code of Conduct, without prejudice to any existing laws governing internal auditing in the Philippine Government.

X. REPEALING CLAUSE

PCG Circulars, Policies and other issuances that are inconsistent with the provisions of this SOP are hereby amended and modified accordingly.

XI. SEPARABILITY CLAUSE

⁹Revised Philippine Government Internal Audit Manual, page 80-81

Should any provision or part of this Circular be declared invalid, the other provisions, so far as separable from the invalid provisions, shall remain in force and effect.

XII. EFFECTIVITY

This Circular shall take effect upon publication.

BY COMMAND OF ADMIRAL GAVAN PCG:

OFFICIAL:

HOSTILLO ARTURO E CORNELIO
RADM **PCG**
Chief of Coast Guard Staff

JAYSIEBELL B FERRER
CDR **PCG**
Coast Guard Adjutant

Encl: Annex A - Auditors Findings/Observations and Management Comment
Annex B - Auditee's Action Plan and Commitment to Approved Recommendations (AAPCAR)
Annex C - Auditee Feedback Sheet

(Unit Header)

Auditors Findings/Observations and Management Comment

CGIAOM Nr: _____
As of _____

No.	Audit Findings/Observations	Management Comment

Prepared by: _____

Approved by: _____

Auditee

Date

Unit Head

Date

(Unit Header)

Auditee's Action Plan and Commitment to Approved Recommendations (AAPCAR)

As of _____

No.	Audit Recommendations	Auditee's Action Plan			Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
		Action Plan	Person/ Unit Responsible	Target Implementation Date From To			

Prepared by: _____

Auditee

Approved by: _____

Unit Head

_____ Date

_____ Date

Note: Status of Implementation may either be a) Fully Implemented, b) Ongoing, c) Not Implemented, d) Partially Implemented


PAMBANSANG PUNONGHIMPILAN TANOD BAYBAYIN NG PILIPINAS

(National Headquarters Philippine Coast Guard)

COAST GUARD INTERNAL AUDIT

3F 637 Delgado Building Bonifacio Drive corner

 25th Street Port Area, 1018 Manila

AUDITEE FEEDBACK SHEET
Unit Name : _____

Address : _____

Date : _____

Audit Scope : _____

Covering Period : _____

Internal Audit Team Leader : _____

Internal Audit Asst. Team Leader : _____

Senior Internal Auditor : _____

Junior Internal Auditor : _____

No	Audit Quality	Agree	Disagree	Remarks <i>(pls indicate reason if you disagree)</i>
1	Entrance meeting was held and all questions/comments were adequately addressed by the Audit Team.			
2	The objectives and scope of audit were discussed.			
3	The audit was completed within the timeframe communicated.			
4	The audit was conducted in a professional and courteous manner.			
5	The Audit Team kept us informed of key issues throughout the audit.			
6	The exit conference provided us the opportunity to discuss our comments on the observations and recommendations made by the audit team.			

7	All our key concerns were attended to by the Audit Team.			
8	The audit observations and recommendations contained in the audit report were properly communicated.			
9	The audit report reflected our comments and/or actions taken/to be taken.			
10	The overall audit provided value to the unit.			

Any suggestions to improve future audits.

Accomplished by:

Auditee

Date

Concurred by:

Unit Head

Date