



REPUBLIC OF THE PHILIPPINES

Department of Budget and Management

Building I, General Solano Street, San Miguel, Manila



CIRCULAR LETTER


No. 2011-5
May 19, 2011

TO : HEADS OF DEPARTMENTS, BUREAUS, OFFICES AND AGENCIES OF THE NATIONAL GOVERNMENT, INCLUDING GOVERNMENT-OWNED AND/OR -CONTROLLED CORPORATIONS (GOCCs)/GOVERNMENT FINANCIAL INSTITUTIONS (GFIs), STATE UNIVERSITIES AND COLLEGES (SUCs), LOCAL GOVERNMENT UNITS (LGUs), AND ALL OTHERS CONCERNED

SUBJECT: PHILIPPINE GOVERNMENT INTERNAL AUDIT MANUAL (PGIAM)

1.0 Purposes

- 1.1 The Philippine Government Internal Audit Manual (PGIAM) is being issued pursuant to Executive Order (EO) 292 (Administrative Code of 1987) dated 25 July 1987, Administrative Order (AO) 119 dated 29 March 1989, Memorandum Order 277 dated 17 January 1990, AO 278 dated 28 April 1992 and AO 70 dated 14 April 2003 which directs all Heads of Departments and Agencies of the Executive Branch, including GOCCs/GFIs, SUCs and LGUs, to strengthen their respective internal control systems (ICS) and establish an Internal Audit Service/Unit (IAS/IAU) in offices concerned, and the Department of Budget and Management (DBM) to promulgate necessary rules and regulations for ICS strengthening.
- 1.2 The PGIAM complements the National Guidelines on Internal Control Systems (NGICS) issued pursuant to DBM Circular Letter (CL) No. 2008-8 dated 23 October 2008. The NGICS serves as a guide to the heads of Departments, GOCCs/GFIs, SUCs and LGUs in strengthening their respective ICS to better respond to the requirements of the publics they serve.
- 1.3 Internal control provides the foundation and strengthens accountability and good governance in public service organizations. Internal audit is a key part of the internal control system. The IAS/IAU apprises and advises the Department Secretary/Head of Agency or the Governing Board/Audit Committee on all matters relating to management control and operations audit, consistent with the Administrative Code of 1987 and existing DBM issuances.
- 1.4 The PGIAM aims to assist Departments, Agencies and other instrumentalities of government in establishing and developing internal audit to promote effective, efficient, ethical and economical operations in government.

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- 1.5 The PGIAM shall serve as a generic guide for Internal Auditors in government to understand the nature and scope of the internal audit function in the public sector, including the institutional arrangements, protocols and processes for the conduct of internal audit.

The PGIAM shall also help Internal Auditors in identifying and prioritizing potential audit areas for appraisal, as they progress in the internal audit activity, and describe the procedures logically from one activity to another to facilitate a structured and systematic approach in auditing.

- 1.6 The PGIAM is divided into two (2) parts:

- The first part (PART I – Guidelines, PGIAM I) outlines the basic concepts and principles of internal audit, and the policies and standards that will guide government agencies in organizing, managing and conducting an effective internal audit.
- The second part (PART II – Practices, PGIAM II) contains user-friendly tools, techniques and approaches that will facilitate the conduct of internal audit activities. It serves as a tool kit for Internal Auditors in the performance of their functions of appraising the ICS of their agencies against strategic objectives, and conducting management and operations audits.

- 1.7 The PGIAM would be improved and revised as necessary, to cope with the changing policies and needs of the public sector.

2.0 Applicability

The PGIAM is applicable to all Departments of the Executive Branch, including GOCCs/GFIs, SUCs and LGUs.

The Judicial Branch, Legislative Branch, as well as the Constitutional Offices are encouraged to make use of the same as its contents are consistent with existing laws, rules and regulations and international best practices to the extent allowed by Philippine jurisprudence.

3.0 Guidelines

The PGIAM, which is made an integral part of this CL, shall govern the internal audit work in government. The IAS/IAU shall concentrate on the performance of their functions consistent with the Administrative Code of 1987, as reiterated in the NGICS, other DBM issuances and the PGIAM.

Departments/Agencies/GOCCs/GFIs concerned which have not yet complied with the authority to establish an IAS/IAU pursuant to the provisions of DBM CL No. 2008-05 dated 14 April 2008, and the issuances cited in Items No. 1.1 and 1.2 herein, are directed to organize one as soon as possible.

Those IAS/IAUs which still perform non-internal audit functions and use tools and techniques inconsistent with the PGIAM are hereby directed to immediately cease from performing non-IA related functions and using other tools and techniques.

To complement the PGIAM, Generic Manuals on Controls in the Human Resource Management System, Quality Management System, and Risk Management System would also be issued to facilitate the roll-out of the NGICS in agencies. An overview of these generic manuals is provided in Appendix A of the PGIAM.

These Manuals will codify comprehensively the policies, regulations and guidelines that can help agencies in installing, operating, monitoring and evaluating the internal control sub-systems in the aforementioned areas.

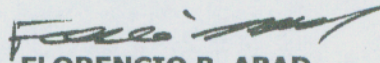
4.0 Responsibility of the Head of Agency

Pursuant to Presidential Decree No. 1445, "Government Auditing Code of the Philippines," dated 11 June 1978, as amended, the Administrative Code of 1987, and existing Commission on Audit and DBM issuances, it is the primary responsibility of the Head of the Department/Agency to install, implement and monitor a sound system of internal control. To strengthen the internal control system, AO 278, s. 1992 and AO 70, s. 2003 mandated all heads of government departments and offices concerned, GOCCs, including GFIs, SUCs and LGUs to organize an IAS/IAU in their respective offices.

5.0 Repealing Clause

All existing guidelines issued by other agencies of the government which are inconsistent with the PGIAM are hereby repealed, amended or modified accordingly.

6.0 For strict compliance.


FLORENCIO B. ABAD
Secretary