

Far Eastern University, Inc.

Internal Audit Charter

Purpose and Mission

The purpose of Far Eastern University Inc.'s (FEU, Inc.) Internal Audit Department (IAD) is to provide an independent, objective assurance services designed to add value and improve FEU, Inc. and its subsidiaries' operations (herein referred collectively as FEU or University, see Annex A).

IAD's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. It assists the University to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The IAD shall govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

In addition, IAD shall adhere to IIA's Implementation Guidance and Supplemental Guidance as applicable to guide the internal audit operations.

Authority

IAD is authorized to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Have unrestricted access to, and communicate and interact directly with, the Audit Committee (AudCom) and/or senior management, including in private meetings without management present as appropriate.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of other departments of the University, as well as other specialized services from within or outside FEU, to complete the engagement.

Organization

The Chief Audit Executive (CAE) shall head the IAD and be the principal auditing officer, who shall report functionally to the Board of Trustee through the AudCom and administratively (i.e., day-to-day operations) to the Chairman of the Board.

To establish, maintain, and assure that IAD has sufficient authority to fulfill its duties, the AudCom will:

- Review and approve the IAD 's charter, risk-based internal audit plan, budget and resource plan, organizational structure, appointment, removal as well as the remuneration of the CAE.
- Regularly receive communications from the CAE on the IAD's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.

Independence and Objectivity

IAD shall remain free from all conditions that threaten its ability to carry out its responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

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

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for FEU or its affiliates.
- Initiating or approving transactions external to the internal audit activity
- Directing the activities of any University employee not employed by the IAD, except to the extent that such employees have been appropriately assigned to IAD or to otherwise assist internal auditors.

If independence or objectivity is impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the AudCom, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes of FEU.

Internal audit assessments include evaluating whether:

- Risk relating to the achievement of FEU's strategic objectives including Fraud and Information Technology (IT) related risks are appropriately identified and managed (i.e., risk management programs and risk response mechanism).
- The actions of FEU officers, directors, employees, and third-party service providers are in compliance with the University's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives
- Operations or programs, and control process are being carried out effectively and efficiently.
- Established processes and information systems including its underlying infrastructures (i.e., IT General Controls) enable compliance with the policies, procedures, laws, and regulations that could significantly impact FEU.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Quality and continuous improvements are fostered within the University control process and activities.

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

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

Responsibility

The CAE has the responsibility to:

- Submit, at least annually, to senior management and the AudCom a risk-based internal audit plan for review and approval.
- Communicate to senior management and the AudCom the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in FEU's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the AudCom any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the AudCom any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure that IAD collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact FEU are considered and communicated to senior management and the AudCom as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide IAD.
- Ensure adherence to the University's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the AudCom.
- Ensure that IAD remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner.
- Confirm to the AudCom, at least annually, the organizational independence of IAD. The CAE will disclose to the Audit Com any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.
- The CAE shall evaluate specific operations at the request of FEU senior management and AudCom as appropriate.

- Communicate periodically to senior management and the AudCom regarding:
 - The IAD's purpose, authority, responsibility, plan and performance relative to its plan, conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
 - Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Com.
 - Results of audit engagements or other activities.
 - Resource requirements.
 - Any response to risk by management that may be unacceptable to FEU.

Quality Assurance and Improvement Program

The IAD will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of IAD's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics.

The program will also assess the efficiency and effectiveness of the IAD and identify opportunities for improvement. The CAE will communicate to senior management and the Audit Com on the IAD's quality assurance and improvement program.

Approval

The amendments of the charter are approved by:

President

Date

Chairman, Audit Committee

Date

Chairman of the Board

Date

Annex A - FEU subsidiaries and affiliates:

- East Asia Computer Center, Inc. (EACCI), which does business under the names and styles FEU Institute of Technology (FEU Tech or FIT) and FEU Diliman
- Far Eastern College Silang, Inc., which administers FEU Cavite
- Far Eastern University High School, Inc.
- FEU Alabang, Inc.
- Roosevelt College, Inc., which does business under the name and style FEU Roosevelt
- Roosevelt College Educational Enterprises (RCEE)
- Edustria, Inc.
- FERN Realty Corporation