

digiplus

Internal Audit Charter

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INTERNAL AUDIT CHARTER DIGIPLUS INTERACTIVE CORP.

I. MISSION AND PURPOSE

This Internal Audit Charter of DigiPlus Interactive Corp. (“DigiPlus”) is established on the principle that internal control is a process effected by the Board, Senior Management and all levels of personnel. It is therefore understood that a control system shall be designed, managed and implemented in order that the overall goals and objectives of DigiPlus are met, that long-term financial viability is achieved, and reliable financial and managerial reporting is maintained.

The purpose of Internal Audit (“IA”) is to provide an independent, objective and reasonable assurance and advisory services relative to this internal control system designed to add value and improve DigiPlus operations. It assists the organization to accomplish its objectives through a systematic, disciplined approach in evaluating and improving the effectiveness of the company’s established internal control system, risk management and governance processes, as designed and represented by management.

The core mission of the IA function is to deliver innovative and value-added assurance services by fostering a culture of transparency, integrity, and continuous improvement. IA is committed to safeguarding organizational value by evaluating and enhancing the effectiveness of governance, risk management, and internal controls, ensuring the highest standards of quality and trust for our stakeholders.

II. STANDARDS OF AUDIT PRACTICE

The Internal Audit Department (“IAD”) shall adhere to the Global Internal Audit Standards (“GIAS”) as prescribed by the International Internal Audit Standards Board thru the Institute of Internal Auditors (“IIA”). This includes adherence to the Standards embodied in the five (5) Domains namely, Purpose of Internal Auditing, Ethics & Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function, and Performing Internal Audit Services.

Furthermore, IAD shall uphold the pertinent policies and procedures established by DigiPlus and relevant rules and regulations. These practices will be carried out in accordance with IAD’s standard operating procedures and guidelines.

III. AUTHORITY AND ORGANIZATION

A. To effectively carry out IA’s mission, the Chief Audit Executive / Head of Internal Audit (CAE/HIA) is authorized to:

1. Directly access and communicate with any officer or employee, to examine any activity or entity of the institution, as well as to access any record, file, or data whenever relevant to the exercise of IA’s assignment

2. Have full freedom of access to the Highest Ranking Officer, Board of Directors and the Audit Committee.
3. Allocate resources previously approved as part of the budgeting process, set frequencies, select subjects, determine scopes of work, apply the approaches/techniques and determine appropriate staffing required accomplishing audit objectives with the approval of the Board/Audit Committee.
4. Examine any activity and entity of the institution as well as its affiliates or subsidiaries consistent with its objectives and functions.
5. Obtain assistance of specialists or professionals where considered necessary from within or outside DigiPlus, subject to the approval of the Audit Committee.

B. The Internal Audit Department (IAD) shall not be authorized to:

1. Evaluate the performance of a business unit or department where an IA officer previously worked or held responsibility in the past twelve (12) months.
2. Undertake operational tasks for both the Company and its subsidiaries, including affiliated entities.
3. Implement internal controls, establish procedures, and introduce systems. However, the IAD may be consulted to assess the sufficiency of related controls.
4. Initiate or authorize accounting transactions, except for those directly related to IA operations.
5. Supervise the activities of employees within the Company and its subsidiaries, including affiliated entities, unless such employees have been appropriately designated as part of the audit team.

C. IAD shall report to the Highest Ranking Officer for administrative interface and to the Board, through the Audit Committee for strategic direction and accountability as follows:

1. Administrative Reporting Line includes activities/functions related to:
 - a. Budgeting and Management Accounting
 - b. Human Resource Administration
 - c. Internal Communications and Information flows
 - d. Internal policies and procedures (expense approvals, leave, attendance, availment of benefits, etc.)
2. Relative to the Strategic Direction and Functional Accountability, the Audit Committee shall:
 - a. Approve the IA Charter
 - b. Approve the IA's Strategic Audit Plan and Budget

Internal Audit Plan

The CAE/HIA shall present and submit, on an annual basis, an Internal Audit Plan subject to review and approval by Senior Management and the Audit Committee (who are members of the Board). The plan shall include the structured internal audit schedule, allocation of resources and budget requirements for the next year. It should be based on a comprehensive, documented risk assessment, integrating insights from various risk management functions.

Any adjustments in the approved plan, as necessary, in response to changes in Company's operations, systems and controls shall be promptly communicated to Senior Management and the Audit Committee.

- c. Receive timely communications from the CAE/HIA on the IAD's performance corresponding to its internal audit plan and other related matters, including efficiency and quality metrics.
- d. Approve decisions regarding the appointment and removal of the CAE/HIA. The Audit Committee may, at its discretion, engage in consultation or seek input from the Highest Ranking Officer.
- e. Determine the relevancy of the internal audit scope, and sufficiency and appropriateness of audit resources, ensuring the plan addresses key risk areas relevant to the organization.

The Board, through the Audit Committee, should ensure that the internal audit activity has adequate authority to fulfill its duties, including matters such as compensation and performance appraisal, which should be determined by the Board through the Audit Committee. However, inputs and comments to such performances shall still be considered and sourced from concerned units such as Human Resource Department and Highest Ranking Officer. Additionally, the internal audit function should develop a clear mandate, vision, and strategic plan that aligns with the organization's overall objectives.

IV. INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the IAD, its personnel reports to its CAE/HIA, who reports functionally to the Audit Committee and administratively to the Highest Ranking Officer of DigiPlus in a manner outlined below. At least annually, the CAE/HIA shall report to the Audit Committee the departmental performance and that of his/her staff.

Independence is a basic principle for an effective IA function to be carried out objectively and within reasonable limits. Therefore:

1. The IA function must be independent of the activities audited and must not be involved in the company's day to day activities.
2. IA must be able to carry out its assignment on its own initiative in all areas of the organization. In instances where the IA function possesses or anticipates roles and/or

responsibilities that extend beyond the purview of internal auditing, the CAE/HIA will undertake measures to establish safeguards aimed to mitigate potential impairments to independence and objectivity.

3. IA must be free to report and disclose its findings, opinions, appraisals and other information to the appropriate levels of the organization, the Chairman, the Audit Committee or the Highest Ranking Officer.
4. In the event that independence is compromised, whether in fact or in appearance, or if situations involving potential and actual conflicts of interest arise, it should be disclosed to the CAE/HIA, who will then promptly report such matters to the Board Audit Committee.

IAD shall commit to uphold the ethical principles of integrity, objectivity, confidentiality and competency as embodied in its ethical standards

V. SCOPE OF WORK

The scope of work of IA includes the review of internal control systems, risk management procedures, and governance processes of DigiPlus, its affiliates and subsidiaries. This work also involves periodic testing of transactions, best practice reviews, special investigations, appraisals of regulatory requirements, and measures to help detect and prevent fraud. It must determine whether these processes are adequate and functioning to ensure that:

1. Risks are appropriately identified, managed and reported
2. Interaction with the various governance groups occur as needed
3. Significant financial, managerial and operating information is accurate, reliable and timely
4. Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
5. Resources are acquired economically and used efficiently, and adequately protected.
6. Programs, plans and objectives are achieved.
7. Quality and continuous improvement are fostered in the organization's control process.
8. Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.

Results of IA activities shall be reported to the Board through the Audit Committee and/or Senior Management, whichever is appropriate with the end in view of not merely assuring that policies and procedures are being complied with but to provide management with information for improving management control, profitability and image of the organization should such opportunities be observed during audit.

The CAE/HIA shall prepare and submit the internal audit report, which must incorporate management's response, detailing any corrective measures taken in alignment with the audit findings and recommendations. Management's response, whether initially included in the original audit report or subsequently provided, must include a schedule for the completion of planned actions and an explanation for any corrective actions that will not be implemented.

The IAD shall monitor the status of audit findings and recommendations. All findings will remain open until they are cleared. Clearance of audit findings shall only be granted upon presentation of documented evidence or reports verifying the actions taken.

VI. ACCOUNTABILITY

The CAE/HIA department shall be responsible and accountable to the Audit Committee for:

1. Ensuring that IA is updated on the best practices in the profession in conformance with IIA Standards and that the organization is compliant with government laws and regulations. He / She must also ensure that internal auditors are operationally independent, appropriately trained and competent. A continuing training and competence upgrading shall be integrated into the Strategic Audit Plan prepared annually by IA.
2. Preparation of a flexible annual audit plan using an appropriate risk and/or compliance based audit approaches for any risk or control concern identified by management or the Board and submit that plan to management and the Audit Committee for review and approval. In cases of resource limitations, promptly communicate with Senior Management and the governing body to apprise them of the impact of these limitations on the audit plan.
3. Directs IA staff in planning, conducting, reporting, and following up on audit projects included in the audit plan, and decides on the scope and timing of audits.
4. Ensure the conduct of audit fieldwork in a professional and timely manner which shall include an open process with the auditee to agree on the facts and the validity of audit recommendations. A detailed audit report to the Audit Committee, Management, and the Board shall be prepared containing the objective, scope, observations, and recommendations. A brief Executive Summary, including the Internal Audit Rating, shall be attached to it to facilitate their review and appreciation.
5. Submission of an Annual Assessment Report to the Audit Committee on the results of audit work including significant risk exposure and control issues. An annual overall evaluation of the results of IA operations including staff performance shall also be submitted to the Board of Directors through the Audit Committee.

The CAE/HIA shall ensure that IA officers and staff perform their functions with proficiency and due professional care under the highest norm of ethical conduct in accordance with the Code of Ethics for Internal Auditors.

VII. RESPONSIBILITY

The IAD shall be responsible for the following:

A. General

1. Uphold and continuously enhance professionalism and competence to meet the standards outlined in this IA Charter.
2. Implement and oversee a quality assurance program for IA to provide the Audit Committee with assurance regarding the effectiveness of internal auditing activities.

3. Facilitate coordination and serve as a resource for the Company, its subsidiaries, and affiliates to encourage the exchange of best practices and the standardization of IA methodologies.
4. Provide optimal audit coverage, taking into consideration the scope of work of internal and external assurance at a reasonable overall cost.
5. Assist and coordinate with the CAE/HIA and Senior Management in developing the annual audit plan, which shall be flexible and responsive to any risks or control issues identified by management.
6. Execute the approved IA plan, which shall include any special assignments or projects requested by both management and the Audit Committee.
7. Assess the reliability and integrity of the financial reporting process, operational data, and the methodologies used for identification, measurement, classification, and reporting of such information.
8. Ensure the existence of an appropriate mechanism for addressing employee concerns or complaints related to questionable accounting or auditing matters and regularly update the Audit Committee on the status and resolution of such complaints.
9. Conduct audits to investigate suspected or reported fraudulent activities within the Company, its subsidiaries, and its affiliates. Results of the audit investigation shall be communicated to both management and the Audit Committee.

B. Corporate Governance

1. Actively cooperate with the Compliance Officer to ensure full and proper compliance with the corporate governance guidelines outlined in the Company's manual and its subsidiaries, including affiliated entities
2. Assist the Audit Committee in fulfilling its oversight role concerning corporate governance, including establishing a communication framework to address financial reporting and risk management processes, compliance with laws and regulations, and internal controls.
3. Conduct audit investigations resulting from whistleblower disclosures in accordance with DigiPlus Whistleblowing Policies and Procedures.

C. Enterprise-Wide Risk Management

1. Assess the sufficiency and Company adherence with the risk management policy, including environmental and social risk reporting
2. Assess the effectiveness and efficiency of the risk management process and risk mitigation strategies developed by the risk owners.

VIII. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The IA function shall uphold a comprehensive quality assurance and improvement program covering all aspects of IA activities, inclusive of its evaluation for compliance with IIA Standards.

The CAE/HIA shall periodically report the outcomes of this quality assurance and improvement program to Senior Management and the Audit Committee. Additionally, an external assessment of IA activities shall be required at least once every five (5) years, with at least one member of the external assessment team holding the Certified Internal Auditor (CIA) designation.

IX. AMENDMENTS AND APPROVAL

Any additions, deletions, or revisions to this Internal Audit Charter shall require formal approval by the Audit Committee and endorsement by Senior Management.