

## Internal Control and Risk Management System

The Commission on Audit in its 2008 Annual Audit Report to PPMC recommended the creation of an Internal Audit Service Office pursuant to Administrative Order No. 70 which was issued to strengthen the internal control system of government offices.

The Internal Audit Service Office of Poro Point Management Corporation is an office under the Board Audit and Risk Oversight Committee created in the year 2010 and was approved by the PPMC Board of Directors during the 96<sup>th</sup> Regular Board Meeting. The hiring of the Internal Auditor passes through the Board Audit Committee which makes its recommendations to the Board for final approval.

The Code of Good Corporate Governance of Poro Point Management Corporation (PPMC) articulates the specific functions of the PPMC Board which included among others, constituting an Audit and Risk Oversight Committee to assist the Board of Directors fulfill its corporate governance and overseeing responsibilities in relation to financial reporting, internal control system, risk management system and in monitoring compliance with laws and regulations.

The responsibilities and composition of the Audit and Risk Oversight Committee are defined in the Audit Charter approved by the PPMC Board during the 02 July 2012 Board Meeting as per Board Resolution No. 2012-07-41.

For CY 2014, the Committee had three(3) members consisting of two(2) directors with business management and finance background and one(1) director with legal background. It had seven(7) meetings during the year which included the presence of the Internal Auditor as Secretariat.

For CY 2015, the Committee had the same composition of members and had nine(9) meetings during the year.

The Audit & Risk Oversight Committee in the performance of its oversight functions accomplished the following activities:

For CY2014

- Reviewed and approved the Annual Audit Plan and the Key Results Areas of the Internal Audit Service Office.
- Reviewed Audit of Financial transactions of the year.
- Reviewed results of Baseline Audit of BCDA to PPMC for 2011-2012

- Reviewed the Audit of Execution and Implementation of Approved Board Resolutions of the year.
- Reviewed the COA Audit Report for CY2013.
- Reviewed the Financial Statements and ensure compliance with accounting standards.
- Approved the performance of other Internal Audit Activities.

For CY2015

- Reviewed and approved the Annual Audit Plan and the Individual Performance Agreement for the year.
- Reviewed result of Audit of Systems & Processes.
- Reviewed Audit of Financial transactions of the year.
- Reviewed the Audit of Execution and Implementation of Approved Board Resolutions of the year.
- Reviewed the COA Audit Report for CY2014.
- Reviewed the Financial Statements and ensure compliance with accounting standards.
- Approved the performance of other Internal Audit Activities.

The Committee evaluated the internal control during the planning and in performing the audit of PPMC's Systems and Processes and the compliance with governing policies and procedures.

Poro Point Management Corporation prepared the material risk factors and measures to manage risks stating therein the strategies to manage such risks as follows:

RISK CATEGORY	RISK	MEASURES TO MANAGE RISK
<b>A. EXTERNAL</b>		
a. POLITICAL	1. Constant change in national policies	Business Continuity Plan implementation
b. SOCIAL	2. Informal Settlers	Relocation Program
	3. Social acceptability of the PPFZ Master Plan	Proper representation and presentation of PPMC position on issues raised by concerned stakeholders.
c. ENVIRONMENTAL	4. Natural calamities	Insurance coverage of properties
<b>B. INTERNAL</b>		

a. BUSINESS and FINANCIAL	5. Corporate Net Losses	Improve strategic planning and management
	6. Lawsuit and Adverse court decisions	Legal Remedies
	7. Non-compliance to contract provisions by PPMC locators	Penalty clauses in lease contracts should default and breaches occur  Legal remedies
	8. Limited area to market	Study alternative sources of revenue
	9. Unreceptive market	Resolution of legal issues
b. INTERNAL PROCESS and PEOPLE	10. Manual Accounting System	Push through the plan of BCDA to computerize all its subsidiaries
	11. Attrition	Review manpower loading and compensation package of employees