



**STI EDUCATION SYSTEMS HOLDINGS, INC.  
INTERNAL AUDIT CHARTER**

**A. INTRODUCTION**

This Internal Audit Charter (the "Charter") describes the role of the Internal Auditor of STI Education Systems Holdings, Inc. ("STI ESH") and establishes the organization of an independent internal audit function ("Internal Audit") of the Corporation, including its purpose and mission, standards for the professional practice of internal auditing, authority, independence and objectivity, scope of internal audit activities, responsibility and reporting process.

The Charter shall be subject to the approval of the Audit Committee. It shall be reviewed annually, and any modifications to the Charter will require the approval of the Audit Committee.

**B. PURPOSE AND MISSION**

The purpose of STI ESH's Internal Audit is to provide an independent, objective assurance and consulting services designed to add value and improve STI ESH's operations.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps STI ESH accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Chiefly, Management remains primarily responsible and accountable for the design and implementation of an effective internal control system.

**C. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING**

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' 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. The Internal Auditor will report periodically to Management and to the Audit Committee regarding the Internal Audit's conformance to the Code of Ethics and the Standards.

#### **D. AUTHORITY**

The Internal Auditor will report functionally to the Audit Committee and administratively to the President/CEO. To establish, maintain, and assure that STI ESH's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will:

- a) Approve the Internal Audit Charter;
- b) Approve the risk-based Internal Audit Plan;
- c) Approve the Internal Audit's budget and resource plan;
- d) Receive communications from the President/CEO on the Internal Audit's performance relative to its plan and other matters;
- e) Approve decisions regarding the appointment and removal of the Internal Auditor;
- f) Approve the remuneration of the Internal Auditor.

The Internal Auditor will have unrestricted access to, and communicate and interact directly with the Audit Committee, including in private meetings without management present.

The Audit Committee authorizes the Internal Auditor to:

- a) 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;
- b) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports;
- c) Obtain assistance from the necessary personnel of STI ESH, as well as other specialized services from within or outside STI ESH, in order to complete the engagement.

#### **E. INDEPENDENCE AND OBJECTIVITY**

The Internal Auditor will ensure that Internal Audit remains free from all conditions that threaten the ability of its members to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Internal Auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Audit 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.

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

- a) Assessing specific operations for which they had responsibility within the previous year;
- b) Performing any operational duties for STI ESH;
- c) Initiating or approving transactions external to Internal Audit;
- d) Directing the activities of any STI ESH employee, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Audit.

Where the Internal Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal audit are expected to:

- a) Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- b) Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- c) Make balanced assessments of all available and relevant facts and circumstances;
- d) Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Internal Auditor will confirm to the Audit Committee, at least annually, the organizational independence of Internal Audit.

The Internal Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **F. 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 Audit Committee, management, and outside parties on the adequacy and effectiveness of risk management, control and governance processes of STI ESH. Internal audit assessments include evaluating whether:

- a) Risks relating to the achievement of STI ESH's strategic objectives are appropriately identified and managed;
- b) The actions of STI ESH's officers, directors, employees, and contractors are in compliance with STI ESH's policies, procedures, and applicable laws, regulations, and governance standards;
- c) The results of operations or programs are consistent with established goals and objectives. Operations or programs are being carried out effectively and efficiently;
- d) Established processes and systems to enable compliance with the policies, procedures, laws, and regulations that could significantly impact STI ESH's achievement of its objectives;
- e) Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity;
- f) Resources and assets are acquired economically, used efficiently, and safeguarded adequately.

The Internal Auditor will report annually to Management and the Audit Committee regarding:

- a) The Internal Audit's purpose, authority, and responsibility;
- b) The Internal Audit Plan and performance relative to its plan;
- c) The Internal Audit's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues;

- d) Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee;
- e) Results of audit engagements or other activities;
- f) Resource or budget requirements;
- g) Any response to risk by Management that may be unacceptable to STI ESH.

The Internal Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided Internal Audit does not assume management responsibility.

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.

#### **G. RESPONSIBILITY**

The Internal Auditor has the responsibility to:

- a) Submit, at least annually, to the Audit Committee a risk-based internal audit plan, including, if appropriate, any special tasks or projects requested by Management for review and approval;
- b) Communicate to the Audit Committee the impact of resource limitations on the internal audit plan;
- c) Review and adjust the internal audit plan, as necessary, in response to changes in STI ESH's business, risks, operations, programs, systems, and controls;
- d) Communicate to the Audit Committee any significant interim changes to the internal audit plan;
- e) 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;

- f) Follow up on engagement findings and corrective actions, and report periodically to Management and the Audit Committee any corrective actions not effectively implemented;
- g) Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- h) Ensure that Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter;
- i) Ensure emerging trends and successful practices in internal auditing are considered;
- j) Establish and ensure adherence to policies and procedures designed to guide Internal Audit;
- k) Ensure adherence to STI ESH's relevant policies and procedures, unless such policies and procedures conflict with the Charter. Any such conflicts will be resolved or otherwise communicated to the Audit Committee;
- l) Assist in the investigation of significant suspected fraudulent activities and notify Management and the Audit Committee of the results;
- m) Annually review the Charter, modify as appropriate and submit to the Audit Committee for approval;
- n) Ensure conformance of Internal Audit with the Standards, with the following qualifications:
  - o If Internal Audit is prohibited by law or regulation from conformance with certain parts of the Standards, the Internal Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards;
  - o If the Standards are used in conjunction with requirements issued by other authoritative bodies relative to the business of STI ESH, the Internal Auditor will ensure that Internal Audit conforms with the Standards, even if Internal Audit also conforms with the more restrictive requirements of said other authoritative bodies.

#### **H. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The Internal Audit will maintain a Quality Assurance and Improvement Program that covers all aspects of Internal Audit's activities. The program will include an evaluation of the Internal Audit's conformance with the Standards and an evaluation of whether Internal Audit applies the IIA's Code of Ethics. The program will also assess the

efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

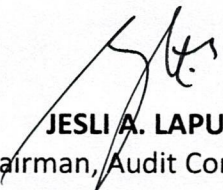
The Internal Auditor will communicate to Management and the Audit Committee on Internal Audit's Quality Assurance and Improvement Program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside STI ESH.

**STI EDUCATION SYSTEMS HOLDINGS, INC.**


By:

  
**EUSEBIO H. TANCO**  
Chairman of the Board

17 December 2018  
Date

  
**JESLI A. LAPUS**  
Chairman, Audit Committee

17 December 2018  
Date

  
**ENGRACIO L. SAGCAL, JR.**  
Internal Auditor

17 December 2018  
Date