

## 436 AUDITS

**Internal audit.** The bank's internal auditor shall include among his functions, the conduct of annual audit of the trust department or investment management department. However, should the board of directors, in a resolution entered in its minutes, require the internal auditor to adopt a suitable continuous audit system to supplement and/or to replace the performance of the annual audit, the audit may be conducted in intervals commensurate with the assessed levels of risk in trust and investment management operations: Provided, That such intervals shall be supported and reassessed regularly to ensure appropriateness given the current risk and volume of the trust and investment management operations. In any case, the audit shall ascertain whether the institution's trust and other fiduciary business and investment management activities have been administered in accordance with laws, Bangko Sentral rules and regulations, and sound trust or fiduciary principles.

**External audit.** The trust and other fiduciary business and investment management activities of a bank shall be included in the annual financial audit by independent external auditors required under Sec. 174 (*Financial Audit*).

The audit of the assets and accountabilities of the trust department/ investment management department of a bank authorized to engage in trust and other fiduciary business, investment management activities, which shall cover at the minimum a review of the trust investment management operations, practices and policies, including audit and internal control system, shall be subject to auditing standards to the extent necessary to express an opinion on the financial statements.

The audit of the trust/investment management department of a bank authorized to engage in trust and other fiduciary business/investment management activities shall be covered by a separate supplemental audit report to be submitted to the bank's board of directors and to the Bangko Sentral within the prescribed period containing, among other things, the complete set of financial statements of the trust/ investment management department of a bank prepared in accordance with the provisions of Sec. 435 (*Audited financial statement*) together with the other information required by the Bangko Sentral to be submitted under Sec. 174 (*Financial Audit*): *Provided*, That a reconciliation statement of the balance sheet in the AFS and the FRPTI shall be prepared for each of the general categories of contractual relationships (i.e., UITF-trust, institutional-trust, and individual trust; other fiduciary; institutional-agency, and individual-agency; and special purpose trust) of the trust/investment management department of a bank with its clients following the format in *Appendix 90*.

**Board action.** A report of the foregoing audits, together with the actions thereon, shall be noted in the minutes of the board of directors of the bank.

*(Circular No. 871 dated 05 March 2015)*