



INTERNAL AUDIT CHARTER

I. PURPOSE AND SCOPE OF WORK

This charter establishes the authority and responsibility conferred by the Board of Directors of APC Group Inc. (APC or the Company or the Corporation) on the internal audit function, so that Internal Audit (IA) Group may adequately perform its role and mission. This charter also defines the position of the internal audit function in the organization so that it may be accorded a healthy level of independence to effectively carry out its duties and responsibilities.

The purpose of IA is to provide an independent, risk-based, objective assurance and consulting activity designed to add value and improve the company's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and corporate governance processes.

The scope of work of IA is to determine whether the company's network of risk management, control, and corporate governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various corporate governance groups occurs as needed.
- Significant financial, managerial, and operating information are accurate, reliable, and timely.
- Employees' actions comply with policies, standards, procedures and applicable laws and regulations.
- Assets and resources are economically acquired, efficiently used, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the control processes of the Company.
- Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.

The IA activities encompass, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments.

Opportunities for improving management control, profitability and the organization's image may be identified during audits. They will be communicated to the appropriate level of management.

II. ACCOUNTABILITY

The Board authorizes the Audit Committee to appoint the Internal Audit Head (or Chief Audit Executive) and recruit staff or outsource the internal audit function as may be deemed appropriate by the Audit Committee upon the recommendation of the Internal Audit Head. The Internal Audit Head, in the discharge of his/her duties, shall be accountable to Audit Committee and the Senior Management to:

- a. Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work;
- b. Report significant issues related to the processes for controlling the activities of the organization and its subsidiaries, including potential improvements to those processes and provide information concerning such issues through resolution;
- c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources;
- d. Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

III. INDEPENDENCE AND OBJECTIVITY

To provide for the independence of IA, its staff report to the Internal Audit Head or Chief Audit Executive who reports functionally to the Audit Committee and administratively to the President. He/she will include as part of his/her reports to the Audit Committee a regular report on IA staff.

The Chief Audit Executive will ensure that the internal audit activity remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively. Moreover, internal auditors will have no direct operational responsibility or authority over any of the activities audited.

On an annual basis, the Chief Audit Executive and the IA staff are required to sign a declaration regarding their independence. In the event that the objectivity and independence is impaired in fact or in appearance, the internal auditors are required to disclose its details to the Chief Audit Executive and/or to the Audit Committee.

IV. AUTHORITY

To establish, maintain, and assure that IA has sufficient authority to fulfill its duties, the internal audit's charter as well as the risk-based internal audit plan will be approved by the Audit Committee.

A. The Internal Audit Head and staff of the IA are authorized to:

1. Have 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;
2. Have full and free access to communicate with the Audit Committee;

3. Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives;
4. Obtain the necessary assistance of personnel in units of the Company where they perform audits, as well as other specialized services from within or outside the Company.

B. The Internal Audit Head and staff of the IA are not authorized to:

1. Perform any operational duties for the organization or its affiliates;
2. Initiate or approve transactions external to Internal Audit;
3. Direct the activities of any organization employee not employed by IA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

V. RESPONSIBILITY

The Internal Audit Head and staff of the IA have the responsibility to:

- a. Develop a timely and flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit plan to the Audit Committee for review and approval as well as its periodic updates;
- b. Implement the approved annual audit plan including any special tasks or projects mandated by the Audit Committee;
- c. Maintain a professional audit staff with sufficient knowledge, skills, experience, and relevant professional certifications to meet the requirements of this Charter;
- d. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion;
- e. Issue periodic reports, at the very least on a quarterly basis to the Audit Committee and Management summarizing results of audit activities. Thereafter, conduct follow-up audit in a timely manner to ascertain the adequacy, effectiveness, and timeliness of management actions on the reported audit observations and agreed recommendations;
- f. Keep the Audit Committee updated with emerging trends and successful practices in internal auditing;
- g. Provide a list of significant measurement goals and results to the Audit Committee;
- h. Assist in the investigation of significant suspected fraudulent activities within the Company and notify Management and the Audit Committee of the results;
- i. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

- j. On a case to case basis and as agreed with management and the Audit Committee, participate in the systems development process and/or any special projects undertaken by the Company (systems related or otherwise). It is understood that the internal auditors' role in such special projects is purely on a recommendatory basis, and the Internal Audit team should not be part of any decision-making process by the project team in order to maintain the independence of the internal audit function.

VI. STANDARDS OF AUDIT PRACTICE

The Internal Audit Department must:

- a. Maintain effective professional relations with operating management and staff;
- b. Conduct himself/herself in a professional manner, in accordance with the Code of Ethics and shall meet or exceed the auditing standards set under the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA);
- c. Comply with the company's policies and procedures;
- d. Maintain data privacy and confidentiality of information.

VII. PERIODIC ASSESSMENT

The Chief Audit Executive will communicate to Senior Management and the AudCom on the Internal Audit Department's quality assurance and improvement program, including results of ongoing and periodic internal assessments at least annually as well as results of external periodic assessment at least every five years.

VIII. ANNUAL REVIEW OF CHARTER

This Charter shall be subject to regular review for any proposed enhancements as may be deemed necessary, as endorsed by the Audit Committee for the approval of the Board of Directors.