	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	1 of 9

**PURPOSE:**


To institute the frequency, methods, responsibilities, planning requirements and reporting to establish, implement and maintain an audit program that takes into account the importance of the processes, changes affecting the organization and the results of the previous Internal Quality Audits.

**SCOPE:**

This procedure applies to all processes of LLFC's QMS that directly affect the quality of services provided to the Corporation's clients and stakeholders. This procedure also covers the activities in conducting Internal Quality Audit from audit planning (preparation of audit program); execution; reporting; and monitoring / verification of corrective actions.

**DEFINITION OF TERMS, ACRONYMS:**


<b>Terms / Acronyms</b>	<b>Definition</b>
LLFC	LBP Leasing and Finance Corporation
PCEO	President and Chief Executive Officer
QMS	Quality Management System
IQA	Internal Quality Audit
RFA	Request for Action
Audit	A systematic, independent, and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled.
Audit Program	arrangements for a set of one or more <i>audits</i> planned for a specific time frame and directed towards a specific purpose
Audit Plan	Description of the activities and arrangement for an audit
Audit Scope	Extent and boundaries of an audit
Audit evidence	Records, statements of facts or other information which are relevant to the audit criteria and verifiable
Audit Findings	<b>Results of the evaluation of the collected audit evidence against audit criteria which should include conformities, non-conformities, suggested opportunities for improvement and commendable practices if any</b>
Audit Conclusion	Outcome of an audit provided by the audit team after consideration of the audit objectives and all audit findings
IQA Client	Organization or person requesting an audit. This may be top management, the QMS Head, a government regulatory agency, or an interested stakeholder
Audit Criteria	Set of <i>requirements</i> used as a reference against which <i>objective evidence</i> is compared
Auditee	Organization: organizational unit or person being audited
Auditor	Person with the demonstrated personal attributes and competence to conduct audit

	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: 2	Effectivity Date: 09/01/2020
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	2 of 9



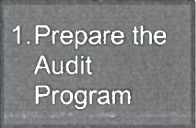



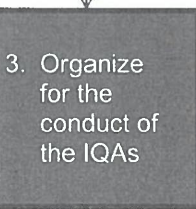

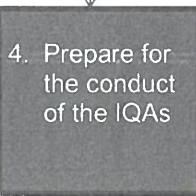

IQA Team	One or more auditors conducting an audit, supported if needed by a technical expert
Technical Expert	Person who provides specific knowledge or expertise to the audit team. A technical expert does not act as an auditor in the audit team
<b>Conformity</b>	<b>A fulfillment of a requirement</b>
Non-conformity	A non-fulfillment of a requirement
Opportunity for Improvement	An area of the QMS which currently fulfills the requirement, <b>a minor nonconformity that is negligible and has insignificant impact</b> , but which may be further enhanced to prevent a possible non-conformity,
Process Owner	The Group or Unit Head implementing the process in the operations of the Group or Unit

**RESPONSIBILITIES:**


QMS Head/ QMS Deputy Head	Reviews and approves the annual audit program. As audit client, identifies priority areas of the quality management system which will be focus of the audit program. In the absence of the QMS Head, the QMS Deputy Head shall assume the responsibilities of the QMS Head under this procedure.
QMS Internal Audit Team Leader	Thru the conduct of IQA, determines the conformance of the QMS to the planned arrangements and the requirements of the ISO 9001:2015 and whether the LLFC QMS is effectively implemented
IQA Team Head	Plans and manages audits assigned to him/her; coordinates audit plans with the auditee and conducts audits assigned to him/her.
IQA Team Member	Conducts audits assigned to him/her
Auditee	Provides audit evidence to the IQA Team; responds to audit findings as needed

	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	3 of 9


**PROCEDURE DETAILS**

ACTIVITY	RESPONSIBILITY	DETAILS	REFERENCES
			
 	QMS Internal Audit Team Leader	Recommendations for the following: <ul style="list-style-type: none"> <li>• Objectives of the audit Program</li> <li>• Scope of each audit within the Program</li> <li>• Audit criteria, types, methods</li> <li>• Criteria for selecting audit team heads and members</li> <li>• Composition of IQA team's composition (Head and Member/s)</li> <li>• Audit schedule for the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Operating Procedures.</li> <li>• QMS Procedures.</li> <li>• IQ Auditors Pool</li> </ul>
 	QMS Head	Review and Approve or Revise the Audit Program	<ul style="list-style-type: none"> <li>• Audit Program.</li> <li>• Operating Procedures.</li> <li>• QMS Procedures</li> </ul>
 	QMS Internal Audit Team Leader	<ol style="list-style-type: none"> <li>1. Upon receipt of the approved Audit Program, document the assignments of the IQA Teams thru the issuance of the Special Orders for approval of the PCEO</li> <li>2. Disseminate IQA assignments upon approval of the Special Orders</li> </ol>	<ul style="list-style-type: none"> <li>• Audit Program</li> </ul>
  	IQA Team Head and members	Within seven (7) calendar days upon issuance of the Special Order <ol style="list-style-type: none"> <li>1. Undertake document review</li> <li>2. Prepare:                         <ul style="list-style-type: none"> <li>• Audit Plan.</li> <li>• Audit Checklist.</li> </ul> </li> <li>3. Secure approval of the QMS Internal Audit Leader for the Audit Plan and Audit Checklist</li> <li>4. Coordinate audit arrangements with the Auditee/s</li> </ol>	<ul style="list-style-type: none"> <li>• Operating Procedures.</li> <li>• Audit Program.</li> <li>• Special Order.</li> <li>• Templates of Audit Plan and Audit Checklist</li> </ul>






	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	4 of 9

<p style="text-align: center;">5. Conduct IQAs</p>	IQA Team	<ol style="list-style-type: none"> <li>1. Provide Auditees with copies of the Audit Plan at least 10 working days before the start of the IQA</li> <li>2. In accordance with the schedule in the Audit Plan, hold opening meeting with Auditee/s to:                         <ul style="list-style-type: none"> <li>• Confirm the Audit Plan;</li> <li>• Introduce the IQA Team and their roles;</li> <li>• Ensure that all planned audit activities can be performed</li> </ul> </li> <li>3. Gather audit evidence and evaluate against audit criteria thru any or all of the following:                         <ul style="list-style-type: none"> <li>• Conduct of interviews;</li> <li>• Conduct of document review with Auditee participation;</li> <li>• Examination of samples of records;</li> <li>• Observation of actual operations;</li> <li>• Completion of checklist with Auditee participation</li> </ul> </li> <li>4. Hold initial closing meeting to:                         <ul style="list-style-type: none"> <li>• Provide Auditee/s with initial findings;</li> <li>• Thank the Auditee/s for the participation in the process</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• Operating Procedures.</li> <li>• Audit Plan.</li> <li>• Audit Checklist.</li> <li>• Samples of records / documents</li> </ul>
<p style="text-align: center;">6. Prepare Audit Report</p>	IQA Team	<ol style="list-style-type: none"> <li>1. Upon completion of the audit / gathering of evidence, meet to discuss findings and inputs to the Audit Report.</li> <li>2. Within five (5) working days upon completion of the audit gathering of evidence, prepare an audit report containing the following:                         <ul style="list-style-type: none"> <li>• Conformities.</li> <li>• Non-conformities, if any,</li> <li>• Identified opportunities for improvement</li> <li>• Commendable Findings / good practices if any</li> <li>• Audit Conclusion</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• Operating Procedures.</li> <li>• Audit Plan.</li> <li>• Duly accomplished Audit Checklist.</li> <li>• Completed questionnaires.</li> <li>• Samples of records / documents.</li> <li>• Notes from interviews of Auditees and observations of process</li> </ul>


	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	5 of 9

		<ol style="list-style-type: none"> <li>3. Prepare Request for Action (RFA) for all nonconformities raised.</li> <li>4. Submit Audit Report and RFA to QMS Internal Audit Team Leader for endorsement to Process Owner / Auditee (refer to Nonconformity and Corrective Action Procedure)</li> </ol>	
7. Endorse RFA to Process Owner / Auditee	QMS Internal Audit Team Leader	<ol style="list-style-type: none"> <li>1. Review RFA.</li> <li>2. Record RFA on RFA Register and assign / indicate RFA Number</li> <li>3. Endorse to Process Owner / Auditee (refer to Nonconformity and Corrective Action Procedure)</li> </ol>	<ul style="list-style-type: none"> <li>• Audit Report</li> <li>• RFA</li> </ul>
↓			
8. Conduct closing meeting with Auditee/s	IQA Team	<ol style="list-style-type: none"> <li>1. Meet with Auditee/s to:                         <ul style="list-style-type: none"> <li>• Present audit findings</li> <li>• Obtain acknowledgement of the factual basis for the audit findings</li> <li>• Resolve disagreements if any</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• Samples of records / documents.</li> <li>• Notes from interviews of Auditees and observations of process.</li> <li>• Audit Report.</li> <li>• RFA</li> </ul>
↓			
9. Submit audit documents to QMS IQA Team Leader	IQA Team Head	<ol style="list-style-type: none"> <li>1. Submit to QMS IQA Team Leader:                         <ul style="list-style-type: none"> <li>• Duly accomplished Audit Checklist, with attachments, if any.</li> <li>• Audit Report.</li> <li>• RFAs</li> </ul> </li> </ol>	
↓			
10. Formulate correction, root causes and corrective actions	Process Owner / Auditee	Within a maximum of one (1) month from receipt of the RFA, accomplish Correction, Root Cause(s) and Corrective Actions Section of the RFA.	<ul style="list-style-type: none"> <li>• RFA.</li> <li>• Procedure on Non-Conformity &amp; Corrective Action</li> </ul>

	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	6 of 9

<p>11. Monitor actions taken by Process Owner / Auditee</p> 	QMS Internal Audit Team Leader	<ol style="list-style-type: none"> <li>Review the RFAs, to determine due dates of implementation of corrective actions.</li> <li>Remind / notify IQA Team Head on the need for follow-up audit.</li> <li>Within three (3) days after the due date of the corrective actions, conduct audit follow-up to verify actions taken and status of implementation of corrective action.</li> <li>Within seven (7) days from conduct of follow-up audit, prepare and submit results of follow-up audit to QMS Internal Audit Team Leader.</li> <li>Take appropriate action on results of follow-up audit:                         <ul style="list-style-type: none"> <li>Send reminder to Process Owner / Auditee in case of unimplemented corrective action, copy furnished the QMS Head.</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>RFA Register</li> <li>RFAs</li> </ul>
	IQA Team/IQA Team Head		
	QMS Internal Audit Team Leader		
	QMS Head	Report at the Management Review the results of the IQAs and the status of implementation of the corrective actions on the nonconformities ( Unimplemented corrective actions shall remain on the Management Review agenda until such time as the corrective actions have been implemented and the non-conformity has been closed)	
			




	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	7 of 9

**GENERAL GUIDELINES:**

1. Guidelines on Internal Quality Auditing as provided in ISO 19011:2018 shall be applied and observed in the conduct of LLFC IQAs.
2. Preparing the Audit Program
  - a. In preparing the Audit Program, the following shall be considered:
    - i. The results of the previous audits, if any;
    - ii. Trends in process performance, processes or functions which have been showing declining performance may need to be audited more frequently, until such a time that the performance trend has reversed;
    - iii. Availability of auditors and auditees;
    - iv. Newly created and recently modified processes or functions, as well as, those which have incurred non-conformities may need to be audited more frequently until such a time as these processes or functions have stabilized or matured.
  - b. The following shall be the sources of audit criteria:
    - i. The ISO 9001:2015 standards;
    - ii. Laws, regulations as well as issuances of regulatory offices applicable to LLFC operations;
    - iii. LLFC's documented policies, guidelines, and procedures.
  - c. The scope of the audit shall be the processes which need to be audited to meet the objectives of the audit.
  - d. The selection and designation of the IQA Team Head and Members shall depend on the scope of the audit and the criteria to be applied. IQA Team Heads and Members are selected from the auditor pool based on their audit competencies, and their availability for the audits considering the schedules in the Audit Plan.
3. Frequency of the IQA
 

The IQA audit will be conducted once every year or as need arises.
4. Resolving Contested Findings
  - a. If a finding is contested by the Auditee and an agreement cannot be reached between the Auditor and the Auditee, the matter shall be elevated to the QMS Internal Audit Team Leader for resolution which may involve retaining, deleting or revising the finding.
  - b. If the matter is not resolved at the level of the QMS Internal Audit Team Leader, it shall be elevated to the QMS Head whose decision shall be final.
  - c. At the level of the QMS Internal Audit Team Leader or the QMS Head, the findings shall be thoroughly reviewed and both the Auditor's and the Auditee's sides shall be fully ventilated.

	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	8 of 9

5. The IQA Auditors Pool

The LLFC IQA Auditors Pool shall include all LLFC employees who possesses the following criteria for an IQA auditor the following:

Competency Attributes	IQA Auditor	IQA Team Head	QMS Internal Audit Team Leader
Education	Graduate of a 4 years course		
Experience - Total	1 year	2 years	4 years
Length of stay with LLFC	3 months	1 year	2 years
Training: ISO 9001:2015	At least 8 hours	At least 16 hours	

IQA Team Heads and Members shall come from the LLFC IQA Auditors Pool. The IQA Auditors shall ensure objectivity and impartiality in the conduct of audit. Selection of auditors shall ensure that there is no conflict of interest.

6. Duties and Responsibilities of the IQA Team:


- a. Establish contact with auditee
- b. Prepare audit plan and checklist
- c. Assignment of work
- d. Conduct audit activities (opening and closing meeting and actual audit)
- e. Gather data, review and verify documented information
- f. Generate audit report and conclusion
- g. Prepare Request for Action (RFA) for non-conformities
- h. Communicate results of audit
- i. Conduct audit follow-up for non-conformities until resolved

7. Assessment of Performance of IQ Auditors

- a. Within one (1) month after the submission of Audit Reports, performance of Auditors shall be assessed as follows:
  - i. The QMS Internal Audit Team Leader shall be assessed by the QMS Head; and
  - ii. The IQA Team Heads and Member/s shall be assessed by the QMS Internal Audit Team Leader
- b. The performance assessment shall take into consideration the following:
  - i. The quality of audit plans; checklists and audit reports;
  - ii. Feedback from the IQA Team Head, Member/s, and the Auditee.
- c. IQ Auditors who received a rating below Adequate shall not be given another auditing assignment until he/she has undergone further training or coaching.



# CLASS D

	<b>LBP LEASING AND FINANCE CORPORATION</b>	Document Code: <b>LLC-QMS-PR-004.02</b>	
	<b>QMS PROCEDURES</b>	Revision No.: <b>2</b>	Effectivity Date: <b>09/01/2020</b>
	<b>INTERNAL QUALITY AUDITING</b>	Page No.:	9 of 9

## REFERENCES / FORMS:

1. Audit Program
2. Audit Plan
3. Audit Checklist
4. Audit Report
5. Request for Action (RFA)
6. IQA Status Report
7. Auditor Performance Evaluation Rating Sheet
8. Nonconformity and Corrective Action Procedure