UPDATES ON THE STRENGTHENING OF INTERNAL CONTROL SYSTEMS AND INTERNAL AUDIT IN THE PHILIPPINE GOVERNMENT

Department of Budget and Management

October 12, 2016
OUTLINE

DBM as an Oversight Agency on ICS/IA

Activities Undertaken by the DBM (2008-2016)
- Issuance of policies, guidelines and standards on ICS/IA
- Development of Corps of Trainers on ICS/IA
- Development of Trainers’ Training Manuals
- Conduct of Capacity-Building Trainings
- Conduct of Learning-by-Doing Trainings
- Establishment of IAS/IAU
- Conduct of FGDs on the PGIAM
- Conduct of Feedback Sessions on the PGIAM

Next Steps
DBM AS OVERSIGHT ON INTERNAL
CONTROL SYSTEMS/INTERNAL AUDIT

- **AO 119, s. 1989 and MO 277, s. 1990** – the **DBM** shall promulgate the necessary rules, regulations or circulars on the strengthening of internal control systems of government agencies

- **Systems and Productivity Improvement Bureau (SPIB)** – currently tasked to formulate internal control and audit policies and measures for the implementation by different government agencies
ACTIVITIES UNDERTAKEN BY DBM

Various reform activities pursued from 2008 to 2016 that are intended to:

- Strengthen accountability and transparency in government
- Ensure 4Es in agency operations
- Improve quantity and quality of agency outputs and outcomes
- Enable agencies to better respond to the requirements of public service
Overview of the NGICS

- Issued in 2008, thru DBM Circular Letter No. 2008-8
- Contains fundamental principles, policies and general standards to guide agencies in developing, implementing and monitoring their respective ICS
- Update and further broaden public sector understanding of internal control processes
The adoption of the NGICS is primarily intended to strengthen ICS in Agencies concerned to ensure:

- **C**ompliance with existing laws, rules and regulations
- **A**dherence to managerial policies
- **R**eliability and accuracy of accounting data
- **E**conomical, efficiency, effectiveness and ethical of operations
- **S**afeguarding of government assets
ISSUANCE OF POLICIES, GUIDELINES AND STANDARDS ON ICS/IA

Overview of the PGIAM

- Assist agencies in establishing internal audit function
- Guide internal auditors review agencies’ compliance with laws and policies and performance against agreed-upon objectives, measures and targets
ISSUANCE OF POLICIES, GUIDELINES AND STANDARDS ON ICS/IA

Overview of the IAM for LGUs

- Issued thru DBM Local Budget Circular No. 110 dated June 10, 2016, which encourages all provinces, cities and municipalities to adopt the IAM for LGUs as a guide in establishing, maintaining and operating an IAS/IAU.
ISSUANCE OF POLICIES, GUIDELINES AND STANDARDS ON ICS/IA

A comprehensive step by step guide that aims to help LGUs to:

- establish and maintain a functional and operational IAS/U, which prepares and timely submits regular internal audit reports
- follow up and implement audit recommendations.
PGIAM Trainers came from following Agencies:

- DBM
- COA
- OP-IAO
- DAP
- DOLE
- DSWD
- DepEd
- LBP
DEVELOPMENT OF TRAINERS’ TRAINING MANUALS (2011-2013)

- **Module 1**: Overview of the PGIAM/NGICS;
- **Module 2**: Baseline Assessment of ICS (BAICS);
- **Module 3**: Control Significance and Materiality;
- **Module 4**: Control Risk and Internal Audit Risk;
- **Module 5**: Strategic and Annual Work Planning;
- **Module 6**: Compliance Audit;
- **Module 7**: Management Audit; and
- **Module 8**: Operations Audit.
Objective: To build the capabilities of IAS/IAU personnel concerned to fully adopt the NGICS and the PGIAM in the performance of their functions.

- 2012 – 1,370 IAS/IAU personnel from 33 Departments/Agencies
- 2013 – 490 IAS/IAU personnel from 29 Departments/Agencies
- 2014 – 520 IAS/IAU personnel from 23 Departments/Agencies
Structured and guided training activities in the strengthening of their respective ICS

- DBM
- DepEd
- DENR
- DOH
- DOF
- DOJ
- DOLE
- DSWD
- DPWH
Departments/Agencies/GOCCs have established their IAS/IAU:

- Departments/Department-level entities - 20
- Constitutional Offices - 3
- Legislative Agency - 1
- GOCCs/GFIs – 52

Departments/Agencies/GOCCs + SC - yet to establish their IAS/IAU
CONDUCT OF FOCUSED GROUP DISCUSSIONS (FGDs) ON PGIAM (APRIL-MAY 2016)

- Attended by IAS/IAU personnel from the following 12 Depts/Agencies:
  - DBM, DepEd, DOE, DENR, DOH, DOJ, DOLE, DND, DPWH, DSWD, DOT & COA

Results:
- Concerns raised during the FGDs:
  - Internal Auditors experience difficulty in undertaking audit due to lack of appreciation and support from the top level management
  - Shortage of personnel and limited budget (e.g., travel expenses) to perform internal audit functions
  - Lack of cooperation from certain auditees in the agency
  - No sustained capacity-building trainings
Results:

- Suggestions to address said concerns:
  - Participation/attendance of Internal Auditors to ICS/IA trainings
  - Preparation by DBM of manuals/materials that will guide the Internal Auditors in the conduct of audit to be part of the enhancement on the PGIAM
Objectives:

- Gather insights and experiences from internal audit practitioners as regards the conduct of internal audit to establish baseline information on the state of internal audit in government
- Identify further support needed to strengthen internal audit in government

Results of FGDs were used during the Feedback Sessions
Suggestions of Agencies during sessions:

- Provide templates/matrices on how to do audit planning, execution and reporting
- Provide procedural flowcharts
- Develop guide/methodology in conducting BAICS
- Consider the digitization/computerization of ICS/IA
Completion of the establishment of the IAS/IAU in following Agencies:

✓ DICT, DTr, PCOO, COMELEC, CHR, Senate, Office of the Ombudsman, and the Supreme Court

Continuation of the periodic monitoring and evaluation on the establishment of IAS/IAU and compliance of Departments/Agencies concerned with the PGIAM/NGICS and IAM for LGUs

Issuance of updated PGIAM, in coordination with Agencies concerned
NEXT STEPS

- Conduct of orientation for Department Secretaries/Agency Heads concerned on the overview of NGICS/PGIAM

- Conduct of more comprehensive/in-depth trainings of the IAS/IAU personnel on the PGIAM/NGICS:
  - Preparation of an ICS track as part of the PFM Certificate Program
THANK YOU!