



Adequacy of Internal Control Procedures

Under Resolution No. 46 dated 14 February 2024, the Social Security Commission (SSC) approved the assessment report of the SSS Internal Control System (ICS) and the accompanying recommendations done by the Internal Audit Service Group for 2023, vetted in the SSC Audit Committee. The ICS Assessment Report, which states that the ICS is adequate, includes the following details:

I. Overview

The Internal Control System consists of control features built into and made an integral part of an organization's processes to regulate and guide its operations to ensure that internal control objectives are attained.

a. Components of Internal Control System

1. Control environment
 - General framework serving as basis for the other 4 components of internal control.
2. Risk assessment
 - Overall process of identifying, analyzing, and evaluating relevant risks to the achievement of the control objectives and determining the appropriate response.
3. Control activities
 - Mechanisms that management establishes to ensure that their policies and guidelines are carried out, including the processes identified to address the risks.
4. Information and communication
 - Receiving or giving data and information needed by officials and employees to do their jobs and understanding their roles and responsibilities.
 - Free flow of relevant, complete, reliable, correct and timely information up, down, across, inside and outside the organization.
5. Monitoring and Evaluation
 - Process that assesses the quality of the internal control system's performance over time.

- Necessary to ensure that internal controls remain tuned to the changes in objectives, environment, resources and risks.

b. Control Objectives

In fulfilling its mission and mandate, an agency must achieve the separate but interrelated general objectives of internal controls, namely, to:

- Comply with laws, policies, rules and regulations,
- Adhere to managerial policies,
- Ensure Reliability and accuracy of accounting data,
- Carry out an effective, efficient, ethical and economical operations, and
- Safeguard assets.

II. Assessment of Internal Control System

Separate evaluation of the ICS by the internal audit is undertaken by the Internal Aduti Services Group

- To ascertain whether internal controls are:
 - Well-designated – all components of internal control system are present and functioning
 - Properly implemented – working and implemented as designed
- Provide management with information on the state of the existing ICS, its strengths and weaknesses.
- Results can be used as bases in formulating strategies and plans for improvement, correction or corrective actions to strengthen the ICS ,

a. Scope of Assessment

For 2023, the Internal Audit Service Group conducted Assessment of Internal Control System on the following processes handled by the concerned operating units:

Processes	Departments/Offices/Branches
1. Branch Operations <ul style="list-style-type: none"> . Registration and Coverage . Contributions Collection . Loans . Medical Benefits . Non-Medical Benefits . Administrative Support Service 	<ul style="list-style-type: none"> ▪ Cebu Branch ▪ Cebu Medical Evaluation Center ▪ Cebu Processing Center

Processes	Departments/Offices/Branches
2. Utilization of Investment Properties	<ul style="list-style-type: none"> ▪ Investment Property Department ▪ ROPA and Acquired Assets Department
3. Human Resource Management - Attendance and Leave Administration	<ul style="list-style-type: none"> ▪ Employee Services Department
4. Human Resource Management - Employee Separation	
5. IT Physical Security/ Environmental Controls and Data Center Operations	<ul style="list-style-type: none"> ▪ Data Center Operations Department
6. Support Functions of BAC Secretariat Dept. (BACSD) to Bids and Awards Committee	<ul style="list-style-type: none"> ▪ BAC Secretariat Department
7. Accounts Management Process – Employer Delinquency (NCR Branches)	<ul style="list-style-type: none"> ▪ NCR Large Account Department ▪ Cubao Branch ▪ Diliman Branch ▪ Makati Chino-Roces Branch ▪ Makati Gil-Puyat Branch ▪ Makati JP-Rizal Branch ▪ Manila Branch ▪ New Panaderos Branch ▪ Paranaque Branch ▪ Pasig-Pioneer Branch ▪ San Francisco Del Monte Branch
8. System Development Life Cycle	<ul style="list-style-type: none"> ▪ Information Systems Department (ISD) ▪ ISD III ▪ ISD IV
9. Lease of Space for SSS Branches	<ul style="list-style-type: none"> ▪ Branch Expansion and Management Support Department
10. Risk Management Process	<ul style="list-style-type: none"> ▪ Financial and Investment Risk Management Department ▪ Operational Risk Management Department

b. Assessment Criteria

- International policies and procedures
 - Manual of Procedures
 - Office Orders
 - Othe pertinent issuances

- Statutory or regulatory requirements
 - Guidelines/Circulars issued by pertinent agencies like COA, DBM
 - Applicable laws like Ease of Doing Business and RA 9184 – Government Procurement Law
- International Standards
 - ISO 9001:2015 QMS
 - Risk Management
- Other related policies and procedures

c. Methodology

1. Identification of general and procedural controls
2. Development and administration of Internal Control Questionnaire (ICQ)
3. Validation/testing of controls
4. Identification of controls
5. Preparation of Assessment Report

III. Assessment by Control Component:

Control Component	Total Control Statements/ Attributes		Properly Implemented Controls		Controls with Gaps and Deficiencies	
	No.	%	No.	%	No.	%
Control Environment	299	13	267	89	32	11
Risk Assessment	92	4	82	89	10	11
Control Activities	1,429	60	1,271	89	158	11
Information and Communication	373	16	346	93	27	7
Monitoring and Evaluation	182	8	123	68	59	32
Total	2,375	100	2,089	88	286	12

- Overall, the Internal Control System is adequate with the five interrelated control components, namely: control environment, risk assessment, control activities, information and communication, and monitoring, are existing and functioning.
- The components are working to establish the foundation for sound internal control within the organization to address and mitigate the significant risks.
- Controls on areas with gaps and deficiencies must be strengthened to provide reasonable assurance that policies, systems, procedures and other aspects of SSS operations, when taken together, facilitate its effectiveness and efficient operation.

Recommendations:

1. Identify root causes of incorrect or non-application of controls and implement action plans to address them.
2. Monitoring in various degrees and circumstances to ensure that controls are continuously applied at all levels across the agency. There should be a system in place to accomplish the required monitoring.
3. Institutionalize risk assessment:
 - Implement comprehensive risk assessment process,
 - Prepare complete Risk Register and develop Risk Control Matrix, and
 - Expedite implementation of plans and programs on the roadmap for Governance, Risk and Compliance.
4. Periodic submission of reports on the status of implementation of action plans by the Compliance Officer to the Audit Committee/ Management.

Under Resolution No. 46-A, the Social Security Commission approved the instruction for Management to cause the procurement for third party assessment of the SSS internal controls, subject to determination and compliance of the requirements and procedures provided for under government rules and regulations prior to the commencement and conduct of such undertaking.