

SSS INTERNAL AUDIT CHARTER

I. INTRODUCTION

1. Creation of the Internal Audit Service

The Philippine government, recognizing the need for improved governance, sought to institutionalize a system in all units of government that will evaluate and provide assurance that a sound internal control system is in place. Hence, Congress enacted Republic Act (RA) 3456, known as the “Internal Auditing Act of 1962” prescribing the creation of internal audit services in all departments of the national government. This was amended by RA 4177, which mandates the creation, organization and operation of internal audit services in all branches, subdivisions and instrumentalities of the government, including government-owned and/or controlled corporations.

On January 26, 1965, the Social Security Commission (SSC) issued Resolution No. 120 creating the Internal Audit Service (IAS).

On April 28, 1992, Administrative Order (AO) No. 278 was issued providing the coverage of internal audit activities which among others include the following: ascertaining the reliability and integrity of financial and operational information and the means used to identify measure, classify and report such information; and, reviewing the soundness, adequacy and application of accounting, financial and other operating controls.

On April 14, 2003, AO No. 70 was issued seeking to institutionalize and strengthen the internal control systems of government entities. It specifically provides that IAS shall be an integral part of the office and shall assist in the management and effective discharge of the responsibilities of the office, without intruding into the authority and mandate of the Commission on Audit (COA). It also mandates that the internal audit function shall conform with International Standards for the Professional Practice of Internal Auditing (ISPPIA).

On February 24, 2004, the SSC, under its Resolution No. 103, approved the Internal Audit Charter and activated the Audit Committee (AC) to exercise monitoring and oversight functions in relation to all internal audit activities.

On December 7, 2011, the SSC, under its Resolution No. 1178, approved this revised Internal Audit Charter.

2. Definition of Internal Audit Charter

This Charter is a formal written document that defines the purpose, authority and responsibility of the AC, the IAS and the Management. It is intended to serve as a

guide to all the key players in the overall governance process in the Social Security System (SSS).

II. THE AUDIT COMMITTEE OF THE SOCIAL SECURITY COMMISSION

1. DEFINITION

The AC is an independent committee of the SSC which shall review the reports and recommendations of the IAS and monitor Management's action.

2. ORGANIZATION

2.1 The AC shall consist of at least three (3) members to be appointed by the SSC from among its members and who shall serve for a term of one (1) year. The Chairman of the AC shall be designated from among its members by the SSC. The SSC may designate a non-voting member who shall be a Certified Public Accountant from among the officials of the SSS upon recommendation of the President and Chief Executive Officer (PCEO), and whose term shall be coterminous with the regular members.

2.2 The Commission Secretariat Department shall serve as the AC Secretariat with the following functions:

2.2.1 Prepares the agenda for the meetings;

2.2.2 Prepares and keeps the minutes of the meetings;

2.2.3 Maintains the records of the meetings; and

2.2.4 Performs such related functions as may be assigned by the AC Chairman.

3. OBJECTIVES

3.1 General Objectives

3.1.1 To promote the efficiency, effectiveness and relevance of the SSS programs;

3.1.2 To promote transparency and public accountability of the SSS; and

3.1.3 To improve and strengthen corporate governance by evaluating and improving the process through which:

3.1.3.1 Values and goals are established and communicated;

3.1.3.2 Goals are accomplished and monitored;

3.1.3.3 Stakeholders' support is guaranteed; and

3.1.3.4 Values are preserved.

3.2 Specific Objectives

- 3.2.1** To focus attention to the importance of audit results and recommendations;
- 3.2.2** To improve the quality of the internal audit function;
- 3.2.3** To evaluate the risk exposure of the SSS operations based on the risk assessment report of the IAS after evaluating the effectiveness of the risk management processes;
- 3.2.4** To review the adequacy of audit plan to ensure that all prioritized risks are addressed;
- 3.2.5** To identify the deficient performance of the SSS resulting from activities/programs that are uneconomical, inefficient and/or ineffective; and
- 3.2.6** To identify the sources or causes of inefficiency and/or ineffectiveness of activities/programs, as well as the uneconomical use of resources.

4. AUTHORITY

The AC has the authority to:

- 4.1** Approve the following:
 - 4.1.1** annual audit plan or changes therein and requests for special audit coursed through the IAS; and
 - 4.1.2** professional development programme for IAS personnel.
- 4.2** Recommend to the SSC approval of the following:
 - 4.2.1** changes to this Charter;
 - 4.2.2** organizational structure of IAS or changes thereto; and
 - 4.2.3** the appointment of the Chief Audit Executive (CAE) and his/her reassignment, transfer or removal subject to existing civil service rules and regulations.

5. FUNCTIONS

5.1. Policy Formulation

5.1.1 Directs the formulation/revision of internal auditing policies and approves such policies that would ensure IAS has the authority commensurate with its responsibilities.

5.2 Supervision over IAS

5.2.1 Reviews the organizational structure and scope of IAS functions as well as the external auditing work so that auditing activities are properly coordinated and audit coverage is adequate.

5.2.2 Reviews the audit plan taking into consideration inputs from Management and key performance indicators (KPIs).

5.2.3 Reviews the performance of the IAS.

5.2.4 Reviews and approves audit findings and recommendations and reports the same to the SSC.

5.2.5 Recommends measures to ensure the accomplishment of the audit plan and remedial actions in case of failure.

5.2.6 Reviews Management's action or commitment on audit findings and recommendations. The AC may invite members of Management to provide pertinent information as may be necessary.

5.2.7 Oversees the review by the IAS of the adequacy of the internal control system of the SSS. For this purpose, the CAE shall submit a yearly report on the adequacy of the SSS internal control system for consideration by the AC.

6. MEETINGS

The AC shall meet at least once every quarter or as often as it may deem necessary or upon the request of the PCEO or IAS.

III. ROLE OF SSS MANAGEMENT

1. Top Management sets the objectives of the organization, develops plans and policies and takes full responsibility over the activities of the organization. It is directly responsible for the implementation of risk management, control and governance processes, as well as compliance with the recommendations of the AC and IAS.

2. A member of Management shall be appointed by the PCEO as an observer in the AC. He shall serve as the liaison officer between the AC and management on the following:

2.1 Compliance by Management on audit findings and recommendations;

2.2 Actions taken or commitments by Management to the AC; and

2.3 Risk areas, control and governance processes that Management wants to be evaluated.

- 3.** The Management together with the AC can play an important role in empowering and elevating the image of the internal audit activity by communicating the value of internal audit throughout the organization. This way, Management will fully benefit from its internal audit service as a tool to help attain corporate goals effectively and efficiently.

III. INTERNAL AUDIT SERVICE

1. DEFINITION

The Internal Audit Service (IAS) is an independent unit which is responsible for reviewing and evaluating the effectiveness of the risk management, control and governance processes of the organization and making recommendations for improvement to help achieve organizational objectives.

2. ORGANIZATION

The IAS is headed by a CAE and composed of two Departments, namely: Support Services Audit and Branch Operations Audit, the functions of which includes, among others, the review and evaluation of the adequacy, efficiency and effectiveness of internal controls, policies and procedures in all areas of operations and in branch operations, respectively.

3. MISSION

To assist Management attain corporate goals by providing a systematic review and disciplined approach in evaluating the effectiveness of risk management, control and governance processes.

4. VISION

IAS as an efficient, effective, competent and empowered partner of management toward attaining corporate goals.

5. OBJECTIVE

To examine and evaluate the SSS' framework of risk management, control and governance processes and recommend improvements for the efficient and effective operations of the SSS.

6. SCOPE OF WORK

The IAS shall conduct audit of all work units, personnel, properties, programs, projects, activities, systems and processes of the SSS.

6.1 RISK MANAGEMENT

6.1.1 Reviews the adequacy and effectiveness of risk management procedures and methodologies.

6.1.2 Reviews the reliability and integrity of information and the means used to identify, measure, classify, and report such information.

6.2 CONTROL

6.2.1 Examines and evaluates the adequacy and effectiveness of internal control systems at various operations and activities of the SSS especially those identified as high or medium risk.

6.2.2 Reviews and evaluates the quality of performance in carrying out assigned responsibilities of all work units within the organization.

6.2.3 Evaluates the effectiveness of existing policies and procedures.

6.3 GOVERNANCE

6.3.1 Evaluates the SSS' compliance with existing laws, rules and regulations, including approved policies and procedures.

6.3.2 Identifies opportunities and measures for improving cost efficiency.

6.3.3 Evaluates acquisition, utilization, safeguarding, and disposal of resources.

7. ANNUAL AUDIT PLAN

7.1 IAS shall hold a planning session in the fourth quarter of the year to develop the Annual Audit Plan for the following year in consultation with Management and taking into consideration corporate goals.

7.2 The Annual Audit Plan shall include the following:

7.2.1 Project title

7.2.2 General objectives

7.2.3 Key Performance Indicators

7.2.4 Schedule

7.2.5 Budget and resource requirement

7.2.6 Responsible unit/individual

7.3 IAS shall submit the Annual Audit Plan before the end of the year to the AC for review and approval.

8. AUDIT REPORTS

8.1 The audit report shall include the following:

8.1.1 Title

8.1.2 Background

8.1.3 Objectives

8.1.4 Scope

8.1.5 Criteria

8.1.6 Methodology

8.1.7 Findings

8.1.8 Recommendations

8.1.9 Auditees' comments/Management action/commitment

8.2 The preliminary audit report shall be forwarded to the auditee for review and comment on the findings and recommendations. The auditee must respond in writing and signify agreement and timetable for implementing solutions. The response must be forwarded to the IAS within the agreed period during the exit conference.

8.3 The response shall be included in the report. If no response is received within the agreed period, such fact shall be indicated in the final audit report.

8.4 The final audit report shall be submitted to the AC, furnishing a copy to the PCEO.

9 AUTHORITY

The CAE and the Internal Auditors shall:

9.1 Have unrestricted access to all work units, systems and processes, information or records, properties and personnel of the SSS relevant to the performance of the audit function.

9.2 Determine the scope, audit techniques and frequency, and allocate resources to accomplish the audit plan.

9.3 Obtain necessary assistance of personnel in all work units of the SSS in performing the audit.

- 9.4** Obtain the assistance of specialists or professionals from within or outside the SSS, as may be necessary, for the completion of the audit.

10. RESPONSIBILITY

The CAE has the responsibility to:

- 10.1** Develop and submit the annual audit plan to the AC.
- 10.2** Implement and monitor the approved audit plan including special audits.
- 10.3** Investigate questionable and unauthorized activities in SSS upon written instruction of the AC or PCEO.
- 10.4** Submit to AC the accomplishment report including time, costs and other KPIs on a semi-annual basis.
- 10.5** Submit annual and periodic audit reports including an assessment of the adequacy and effectiveness of risk management, control and governance processes.
- 10.6** Maintain a competent and professional audit staff with unquestioned integrity and sufficient knowledge, skills, experience and attitude.
- 10.7** Provide assurance that the internal audit activity complies with the ISPPA, Statement on Information Systems Auditing Standards (SISAS), Code of Ethics for Internal Auditors (CEIA) and other generally accepted auditing standards.
- 10.8** Develop and maintain a quality assurance and improvement program and monitor its effectiveness. The program shall be designed to help the internal auditing activity add value and improve the operations of the SSS.
- 10.9** Develop and recommend to AC a career planning program for IAS.
- 10.10** Attend the annual exit conference with Management and the COA.
- 10.11** Review annually the Internal Audit Charter and recommend revisions as may be necessary.
- 10.12** Submit to AC the compliance status by the auditee of the audit recommendations.
- 10.13** Perform such other duties as may be assigned by the AC.

11. INDEPENDENCE

The IAS shall be independent from any work unit, employee or official of the SSS and for that purpose shall:

- 11.1** be independent of the activities being audited. It shall not be responsible for the routine operations and implementation of risk management, control, and governance processes. However, it may make suggestions to assist management;
- 11.2** report directly to the AC, however, for administrative matters, shall report to the PCEO; and
- 11.3** undertake assignment on its own initiative but shall not perform the following activities:
 - 11.3.1** bookkeeping;
 - 11.3.2** information systems design, implementation, operation and maintenance;
 - 11.3.3** appraisal and valuation;
 - 11.3.4** actuarial valuation;
 - 11.3.5** internal audit outsourcing;
 - 11.3.6** human resource function;
 - 11.3.7** brokering;
 - 11.3.8** legal and expert services unrelated to audit; or
 - 11.3.9** any other activity or service prohibited under A.O. 278.

12. DUE PROFESSIONAL CARE

The CAE and internal auditor shall exercise sound judgment in establishing the scope, selecting the methodology, and choosing tests and procedures for the audit. The same sound judgment should be applied in the actual evaluation, audit and reporting of the audit results.

13. STANDARDS OF PRACTICE

The IAS shall adhere to the international standards on internal auditing set forth in the ISPPA, SISAS, CEIA and other generally accepted auditing standards.

14. KEY PERFORMANCE INDICATORS

The IAS shall adopt KPIs to measure the performance of internal auditors, which shall serve as basis for the overall performance of IAS. The KPIs shall be in accordance with the Performance Evaluation System approved by the Civil Service Commission.

15. CONTINUITY AND IMPARTIALITY

- 15.1** The internal audit function in the SSS shall be a permanent function.
- 15.2** The IAS shall be objective and impartial, in fact and in appearance, in performing its assignment.
- 15.3** The IAS shall avoid conflict of interests. To this end, assignments within the IAS shall be rotated periodically. Internal auditors shall not be assigned to audit the work earlier performed by them.
- 15.4** The IAS shall not be involved in the operations of the SSS or in selecting or implementing internal control measures. However, the IAS may give recommendations to strengthen internal controls.

16. TRAINING AND EDUCATION

The CAE in coordination with the Human Resource Management Division shall ensure continuing training and education for internal auditors.

17. AUDIT RECORDS

The IAS shall retain complete documents of each audit project in accordance with the retention policy or standard.

18. RELATIONS WITH COA

In the selection of audit areas and objectives, the determination of audit scope and the timing of audit work, the CAE may consult with COA for the purpose of coordinating audit efforts to ensure maximum audit coverage and avoid duplication of works.