Republic of the Philippines
Department of Education

02 NOV 2021

DepEd MEMORANDUM
No. 077 , s. 2021

CONDUCT OF BASELINE ASSESSMENT OF INTERNAL CONTROL SYSTEM IN THE DEPARTMENT OF EDUCATION

To: Undersecretaries
Assistant Secretaries
Bureau and Service Directors
Regional Directors
Schools Division Superintendents
Public Elementary and Secondary School Heads
Division Chiefs
Program Managers
All Others Concerned

1. Pursuant to Republic Act No. 3456, also known as the Internal Auditing Act of 1962, as amended, and various subsequent executive issuances directing the creation of Internal Audit Services/Internal Audit Units (IAS/IAU) in all government offices, the Department of Education (DepEd) issued DepEd Order (DO) No. 80, s. 2010 titled **Implementation of the Internal Audit Service in the Department of Education**, towards the strengthening of internal control systems (ICS).

2. This issuance emphasizes the importance of conducting a separate evaluation on DepEd ICS for continuous improvement by undertaking internal audit activities, one of which is the conduct of a **Baseline Assessment of Internal Control System (BAICS)**.

3. The BAICS aims to

a. assist IAS to gain a more comprehensive and thorough understanding of the agency's operations;
b. identify and document the five components of the internal control system of the organization and its Programs/Projects/Activities (PPAs);
c. review key processes and controls on operations (OPS), support to operations (STO), and general administration and support (GAS); and
d. gather sufficient information on potential audit areas to be included in the IAS strategic plan.

4. The activities to be performed include completion of an Agency Internal Control Document (AICD) and other relevant templates and forms, administration of an Internal Control Questionnaire (ICQ)/Internal Control Checklist (ICC), and verification of results through narrative notes, flowcharts, and walkthroughs.

5. A Baseline Assessment Report (BAR) summarizing the results of the BAICS shall be submitted to the Secretary, containing, among others, detailed findings and recommendations on each internal control component. This may include (a) an **Interim report**, which enumerates significant and material gaps or control deficiencies/breakdowns that require immediate action; and (b) a **Control universe**,

which provides a list of all controls on key processes of operations, support to operations, and general administration and support. Addressing the gaps and findings will help in strengthening the internal controls in the Department.

6. The BAICS covers all units of the agency, including agencies under its supervision and control and administrative supervision. Considering the sheer size of the Department, the BAICS shall be implemented in phases, with each focusing on a specific system and/or program.

7. **Phase I of the BAICS** focuses on the Agency-level Internal Control (IC) assessment and the Operation-level IC assessment of a particular program that was selected from the PPAs of the Department based on a prioritization criteria.

8. The selection of Phase I operation-level IC Assessment is based on the Materiality per Fiscal Year (FY) 2020 General Appropriations Act (GAA); significance of the program determined by how it directly addresses the strategic goals set by the Department; and Current Condition of the program based on the Calendar Year (CY) 2020 Consolidated Annual Audit Report of the Commission on Audit (COA).

9. In view of the restrictions and limitations brought about by the COVID-19 Pandemic, Phase I will be conducted through a combination of face-to-face activities, if necessary and possible, and the use of online platforms and other modes of communication.

10. The **Scope of Phase I** will cover two levels of IC Assessment as follows:

SCOPE OF PHASE I BAICS

A. Agency Level

As internal controls are management controls, there is a need to undertake a baseline assessment of the following offices that exercise supervision and control at their respective levels:

- Office of the Secretary
- Offices of the Undersecretaries
- Offices of the Assistant Secretaries
- Offices of the Bureau/Service/Regional Directors
- Central Office Division Chiefs and Assistant Division Chiefs
- Selected Schools Division Superintendents and Assistant Schools Division Superintendents
- School Heads of Selected samples of Elementary Schools, Junior High Schools, and Senior High Schools

B. Operation-level:

Based on the above-mentioned criteria, the identified program is the **DepEd Computerization Program and the systems/processes supporting its implementation**.

Central Office:

1. Office of the Undersecretary for Administration (OUA)
2. Office of the Undersecretary for Finance (OUF)
3. Office of the Assistant Secretary for Procurement and Administration (OASPA)
4. Information and Communication Technology Service (ICTS) and concerned Divisions
5. Procurement Management Service and concerned Divisions
6. Planning Service and concerned Divisions
7. Education Program Delivery Unit
8. Administrative Service
    - Asset Management Division
    - Cash Division

9. Finance Service
    - Budget Division
    - Accounting Division

Regional Offices (ROs) and Schools Division Offices (SDOs):

RO	SDO
National Capital Region	Quezon City and Manila City
Region VI: Western Visayas	Iloilo and Iloilo City
Region X: Northern Mindanao	Bukidnon and Cagayan De Oro

11. The regions and respective divisions were chosen based on the materiality of allocations; while schools will be identified after coordination with the regional and schools division offices, to consider internet connectivity as some BAICS activities will be conducted virtually.

12. The specific details for the conduct of BAICS by Phase, including each procedure, steps and timeline, will be disseminated by the IAS in separate memoranda/advisories.

13. The IAS shall be provided full access to pertinent records and documents relative to the scope of the activity. Full cooperation and participation of officials and staff of offices or schools being assessed shall be required.

14. This Memorandum will take effect immediately upon issuance. All identified Offices are directed to support and actively participate in the activities and comply with the requirements and procedures of BAICS as will be identified by the IAS.

15. For more information, please contact the **Internal Audit Service-Office of the Director**, Ground Floor, Mabini Building, Department of Education Central Office, DepEd Complex, Meralco Avenue, Pasig City through email at ias.od@deped.gov.ph or through mobile phone number 0927-565-3644 (SMS/Viber).

16. Immediate dissemination of this Memorandum is desired.

LEONOR MAGTOLIS BRIONES
Secretary

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DEPED-OSEC- 449536

Encl.: As stated
Reference: DepEd Order No. (80, s. 2010)
To be indicated in the Perpetual Index
under the following subjects:

BUREAUS AND OFFICES
LEGISLATION

OFFICIALS
SERVICE

JDMC/SMMA/MPC, DM Conduct of BAICS in the DepEd
0303 - October 15, 2021

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DEPED-OSEC- 449536

Baseline Assessment of Internal Control System (BAICS)

I. Rationale

1. The **Internal Audit Service (IAS)**, consistent with its mandate as stated in DepEd Order 80, s. 2010, envisions to continuously provide valuable support to the Department in promoting good governance through the conduct of various internal audit activities towards the strengthening of internal control system (ICS) in the Department. Improving internal controls in DepEd is consistent with the 7th item of the Secretary's 10-point Agenda, as part of putting in place financial management reforms "to ensure availability and timely delivery of infrastructure and learning resources" to ensure attainment of the Department's vision to deliver quality, accessible, and liberating basic education for all.

2. As provided in various laws and issuances, the Head of Agency has the direct responsibility to install, implement, and monitor a sound system of internal control; while the other members of the top Management ensure proper check and balance in the monitoring of internal controls over delivery units (e.g., bureaus, services, and other offices, including regional and field offices) (pp. 68-70 of the Revised Philippine Government Internal Audit Manual (RPGIAM).

3. Further, an important part of the COA's Annual Audit Report (CAAR) is the Statement of Management's Responsibility for Financial Statements where the last paragraph states that **"management maintains a system** of accounting and reporting **which provides for the necessary internal controls** to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized."

4. The **responsibility of IAS** is to **appraise the internal control system** to determine whether controls are well designed and properly implemented, which is likewise provided in DO 80, s. 2010.

5. The Department of Budget and Management (DBM), through SyCip Gorres Velayo and Co. (SGV), conducted a two (2)-stage Assessment of Internal Control (IC)/Internal Audit (IA) in National Government Agencies (NGAs) in 2018 as part of the national government's Budget Reform Program (BRP). Among the recommendations included in the report is the **conduct of a Baseline Assessment of Internal Control System (BAICS)** in the Department. The BAICS aims to understand the agency's internal control system and determine whether these controls are effectively implemented, adequate, and relevant.

6. The Public Financial Management (PFM) Reform Roadmap and Action Plan, formulated by the Financial Management Reforms Committee (FMRC), contain seven (7) key reform objectives (KROs), each with corresponding major reform actions. The IAS was designated to assist in KRO 3, specifically to undertake a Baseline Assessment of Internal Control Systems of all PFM processes.

7. Furthermore, in the RPGIAM, BAICS is an integral procedure in the internal audit cycle. It reviews the agency's internal control components and identifies the key strategic challenges and advantages. The results of the BAICS provide a starting point for internal audit strategic planning. The knowledge gained from the results shall assist the Head of Agency and Offices in strengthening the internal control system of the Department and provide a basis on how the internal audit should be implemented in the agency.

8. In response to the recommendations of oversight agencies like the DBM and in pursuit of fulfilling its role to appraise the internal control system, the IAS shall conduct the BAICS.

II. Scope of BAICS

9. The Baseline Assessment of Internal Control System (BAICS) will cover all units of the agency, including agencies under its supervision and control and administrative supervision. Considering the sheer size of the Department, the BAICS shall be implemented in phases, with each focusing on a specific system and/or program.

10. The specific system and/or program that will be focused on per Phase shall be deliberated based on the following rating scale:

RATING SCALE	
MATERIALITY ***Per GAA (immediate prior year)***	5 - P10 B and up
	4 - P1B - P9.99 B
	3 - P500M - P999M
	2 - P100M - P499M
	1 - below P100M
SIGNIFICANCE ***Per DepEd Strategic Directions (2017-2022)***	5 - cuts across all programs and 3 or more strategic goals
	4 - if the program directly addresses 3 strategic goals
	3 - if the program directly addresses 2 strategic goals
	2 - if the program directly addresses 1 strategic goal
	1 - no direct participation
Current Condition ***Magnitude of Consequences***	5 - 4 findings and more related to the program
	4 - 3 findings related to the program
	3 - 2 findings related to the program
	2 - 1 finding related to the program
	1 - no findings related to the program

11. There are two (2) Levels of Internal Control (IC) Assessment as follows:

a. Agency-level IC Assessment - a pervasive (all-encompassing) or strategic assessment of the internal control system of the Agency/Organization
b. Operation-level IC Assessment - an assessment of the internal control system of a specific program and the systems/processes supporting their implementation.

12. A **Memorandum** will be issued for each phase of BAICS to be conducted to define the scope. This Enclosure shall be the basis for the implementation of each phase, subject to amendments as may be necessary.

III. Objectives of BAICS

13. The BAICS aims to achieve the following:

a. Assist IAS to gain a more comprehensive and thorough understanding of the agency's operations;
b. Identify and document the five components of the internal control system of the organization and programs/Projects/Activities (PPAs);
c. Review key processes and controls on operations (OPS), support to operations (STO), and general administration and support (GAS); and
d. Gather sufficient information on potential audit areas to be included in the IAS strategic plan.

14. The results of the BAICS, as summarized in the Baseline Assessment Report (BAR), shall provide detailed findings and recommendations on each internal control component. This may include (a) *Interim report* which enumerates significant and material gaps or control deficiencies/breakdowns that require immediate action; and (b) *Control universe* which provides a list of all controls on key processes of operations, support to operations, and general administration and support. Addressing the gaps and findings will help in strengthening the internal controls in the Department.

15. The results of the BAICS shall be used as a basis to update the IAS strategic plan and ensure that the focus is relevant.

IV. Definition of Terms and List of Acronyms

16. For purposes of this Memorandum, the following terms shall be defined and understood as:

a. **Agency Internal Control Document (AICD)** - A template used to document and assess the existing condition of the internal control components of the Department;
b. **Baseline Assessment Report (BAR)** - A formal document that details the findings and recommendations on each internal control component;
c. **Internal Control Questionnaires (ICQs)/Internal Control Checklist (ICC)** - A tool used to obtain information about an organization's internal control components, to evaluate controls;

V. Procedures

A. Planning Phase

17. The Head of Internal Audit Service (IAS) will organize IAS to create a Planning Team to lead in the conduct of a Baseline Assessment of Internal Control System (BAICS). The creation shall be formalized through the issuance of an IAS Office Order.

18. A BAICS Implementation Plan will be prepared, which contains the scope, list of activities, and procedures.

19. The IAS shall prioritize the Programs, Projects, Activities (PPAs) to be covered for a specific phase based on the criteria set forth in Item 10 hereof including other considerations.

20. The PPAs will be ranked based on the rating scale. In standard cases, the PPAs which will rank first or second will be covered by a particular phase. However, there may be reasonable limitations in the conduct of BAICS wherein PPAs which ranked first or second cannot be covered; in such cases, IAS shall cover PPAs which are the closest in rank. The Assessment of the selected PPAs shall include the systems/processes supporting their implementation.

B. Execution Process

21. An Orientation will be conducted to the concerned Officials/Offices/personnel, where BAICS processes and required documents to be submitted will be discussed.

22. An Agency Internal Control Document (AICD) shall be prepared by IAS based on relevant data/information gathered, including documents required to be submitted to IAS by the concerned offices. The AICD will guide IAS in crafting the Internal Control Questionnaires/Checklist (ICQ/ICC).

23. From the AICD and available Reports from oversight bodies and other concerned agencies, IAS will craft an ICQ/ICC to further obtain and evaluate the control components.

24. The ICQ/ICC shall be accomplished by the participants within the agreed period. ICQ/ICC must be answered completely and truthfully.

25. The Accomplished ICQ/ICC may generate the following answers/responses:

    a. "YES" answers with supporting information/documents;
    b. "YES" answers without or lacking supporting information/ documents;
    c. "NO" answers with compensating controls;
    d. "NO" answers without or lacking compensating controls.

26. The participants should provide the link to the information that is available online or open-source or submit documents to support their "Yes" answers. "Yes" answers with supporting documents indicate the presence of controls which shall be further validated using walkthroughs, flowcharts, and narrative notes.

27. On the other hand, "YES" answers without supporting information/documents, as well as "NO" answers, will undergo further evaluation to determine the presence or absence of compensating controls. Compensating controls, if any, shall undergo further validation through walkthroughs, flowcharts, and narrative notes.

28. The absence of controls will be subjected to an interim analysis to determine if it impacts operations and there is a need for immediate action. An interim report shall then be issued to responsible Offices to correct the deficiency/ies, copy furnished the Secretary.

29. After validation and interim analysis, a Summary of Observations will be prepared as a basis in the preparation of the Baseline Assessment Report (BAR).

30. The BAR shall be submitted to the Secretary for approval prior to dissemination to concerned Offices/Officials/personnel.

VI. ADMINISTRATIVE DETAILS

31. The specific details for the conduct of BAICS by Phase, including each procedure, step and timeline, will be disseminated by the Internal Audit Service in separate memoranda/advisories.

32. All expenses for this activity shall be charged against the annual budget of the Internal Audit Service.

33. In accordance with Item 8 of DO 80, s. 2010, the IAS shall be provided full access to pertinent records and documents. Furthermore, the full cooperation of officials and staff shall be required.

VII. REFERENCES

34. Republic Act No. 3456, also known as the *Internal Auditing Act of 1962*

35. COA Circular Letter No, 2007-01 dated January 17, 2007, Statement of Management's Responsibility

36. National Guidelines on Internal Control Systems (NGICS), issued by the Department of Budget and Management (DBM) through DBM Circular Letter No. 2008-8 dated October 23, 2008, provides the rules and regulations necessary for strengthening internal control systems (ICS). It serves as a guide for Heads of Agencies in designing, installing, implementing, and monitoring their respective ICS.

37. Revised Philippine Government Internal Audit Manual (RPGIAM), issued by the Department of Budget and Management, through DBM Circular Letter No. 2020-8 dated May 26, 2020, provides guidance to internal auditors in the conduct of internal audit activities.

38. DepEd Order No. 035, s. 2018, *Creation of the Financial Management Reforms Committee in the Department of Education*

39. DepEd Order No. 20, s. 2019, *Amendments and Clarifications to DepEd Order No. 035, s. 2018 (Creation of the Financial Management Reforms Committee in the Department of education)*

40. Public Financial Management Reform Roadmap and Action Plan 2021 and Beyond

VIII. EFFECTIVITY

41. These guidelines shall take effect immediately upon issuance.

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