

Disclosure on Adequacy of PSALM's Internal Controls/Risk Management Systems

The Audit Reports for CYs 2014 and 2015 prepared by the Internal Audit Department (IAD), which were endorsed by the AuditCom to PSALM Management, stated that internal controls involving the areas for audit are generally in place except for the Audit Teams' observations and recommendations for Management's actions and guidance to further improve the existing operational processes and procedures.

Before the actual audit in 2014, the AuditCom conducted risk assessment through a Baseline Assessment of Internal Control of PSALM's business processes to prioritize those that may not be operating effectively and the probability was ranked as moderate, major or catastrophic likelihood under the Risks Matrix. This exercise is done every three (3) years.

The Corporation's compliance and environment are being assessed vis-a-vis Management's sensitivity to address AuditCom's instructions with reference to the submission of actions taken on audit findings/recommendations for further validation.

Moreover, at the end of every Audit Engagement and during the Exit Conference conducted by the Audit Team fielded by the AuditCom, Management was required to respond to the Audit findings and implement the Team's recommendations. Some audit recommendations were accepted which Management agreed to address to ensure sound internal control system. These were continuously monitored and validated by IAD where all audit findings acted upon were no longer included in the final Audit Report.