JOURNAL OF INTERDISCIPLINARY PERSPECTIVES

ISSN Print: 2984-8288, ISSN Online: 2984-8385
Vol. 2, No. 8, pp. 362-376, August 2024

Internal Control System Landscape of a State University in a Highly Urbanized City

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Date received: June 18, 2024
Date revised: June 29, 2024
Date accepted: July 3, 2024

Originality: 96%
Grammarly Score: 99%
Similarity: 4%

Recommended citation:
Nillos, J., & Libo-on, R. (2024). Internal control system landscape of a state university in a highly urbanized city. *Journal of Interdisciplinary Perspectives*, 2(8), 362-376. https://doi.org/10.69569/jip.2024.0292

Abstract. This qualitative case study approach allows for a detailed exploration of internal control systems in HEIs, focusing on their implementation and functioning within various institutional settings. By employing in-depth interviews, the study gathered comprehensive information on the internal control processes of a government-funded HEI in a highly urbanized city. The key findings reveal that the hiring process is thorough, ensuring fairness, transparency, and compliance with governmental and institutional regulations. The training process is well-organized within the institution's professional development framework. The procurement process is highly structured and transparent, emphasizing compliance and accountability. The budget process is formalized and governed by strict frameworks, and the payroll process is meticulously regulated to ensure accuracy, compliance, and transparency. Furthermore, the study underscores the need for public HEIs to continuously adapt their policies and procedures to the complex and evolving regulatory landscape, which is both time-consuming and costly. To enhance financial governance, ensure regulatory compliance, and maintain transparency and accountability, the study recommends training on the importance of following Commission on Audit (COA) guidelines and the Government Accounting Manual (GAM).

Keywords: Higher education institution; Internal control systems; Case study.

1.0 Introduction

The landscape of higher education in the Philippines is undergoing significant transformation, driven by policy reforms, increased demand for quality education, and heightened accountability measures (Commission on Higher Education [CHED], n.d.). In this dynamic environment, robust internal control systems within higher education institutions (HEIs) are more crucial than ever. Internal control systems, which consist of processes, mechanisms, and procedures, ensure institutional operations' efficiency, effectiveness, and compliance (Arens, Elder, Beasley, & Hogan, 2017). They are integral to financial management, maintaining academic integrity, safeguarding assets, and achieving organizational objectives. Specifically, internal control systems encompass policies, procedures, and mechanisms that ensure efficient organizational functioning while protecting resources and assets (Romney & Steinbart, 2018).

In government-funded HEIs, the Commission on Audit (COA) underscores the importance of internal controls in preventing fraud and mismanagement, maintaining financial reporting accuracy, protecting university property, and ensuring legal compliance (COA, 2018). The case study method, This case study explores the intricacies of internal control systems within Philippine HEIs with an emphasis on the experiences and perspectives of key stakeholders, it aims to provide a nuanced and holistic understanding of how internal control systems are perceived, experienced, and enacted in the context of Philippine higher education.

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Managing internal control environments in universities is complex due to overlapping processes and procedures, inadequate reporting systems, insufficiently trained security personnel, a weak internal control framework, budgetary constraints, and diverse technologies (Tilly, 2022). Recent financial mismanagement and fraud incidents in several Philippine universities and colleges have led to negative consequences, including lost revenue, damaged reputations, and even institutional closures (GMA News, 2019). According to the 2022 Association of Certified Fraud Examiners (ACFE) Report to the Nations, businesses and educational institutions were scammed out of approximately $3.6 billion in 2022, highlighting that the education sector is not exempt from fraud (Association of Certified Fraud Examiners, 2022).

Internal control systems have inherent weaknesses that can reduce their effectiveness, such as the potential for errors and staff manipulation through dishonesty (Rae, D., & Subramaniam, N., 2021). Management can bypass control procedures by influencing transactions or instructing subordinates. Additionally, existing controls can become ineffective as situations change over time. Internal control methods constrain employee behavior by requiring authorization, approval, and verification of transactions, thus creating an audit trail. They also divide responsibilities to prevent any individual from having excessive unsupervised access to the institution's assets (Mungaya et al., 2012, as cited in Mungai, 2022).

Several factors underscore the need for this study. First, existing literature on internal control systems in HEIs is predominantly quantitative, often overlooking qualitative aspects that provide deeper insights into the challenges and successes of these systems. Second, the unique cultural, economic, and regulatory context of Philippine HEIs necessitates a focused study to inform both local practices and broader theoretical frameworks. Third, recent higher education policy developments, such as implementing the Universal Access to Quality Tertiary Education Act, have pressured HEIs to enhance their governance and accountability structures (Santos, 2020). This case study sought to bridge the gap between policy and practice by offering evidence-based recommendations for strengthening internal control systems in Philippine HEIs. Doing so aims to contribute to the ongoing discourse on higher education governance and provide actionable insights for policymakers, educational leaders, and practitioners dedicated to fostering a more accountable and effective higher education system in the Philippines.

2.0 Methodology

2.1 Research Design

This study used a qualitative research approach to gain a better understanding of the internal control mechanism utilized by both public and private higher education institutions. Investigating social phenomena, identifying feelings associated with the issue, and comprehending the individuals' subjective experiences are the three main objectives of qualitative research (Mwita, 2022).

The study's objective is to gain a thorough description and analysis of the HEIs internal control, which will preferably be expressed in words rather than numbers and statistics, Hence, the researcher chose a qualitative design. The study's goal is to explain a specific instance in detail, it will specifically use a descriptive study technique. In this instance, the internal control practices of both public and private HEIs are examined.

The qualitative-descriptive research design was deemed appropriate for this study, as it aimed to reconcile the internal control systems of both public and private HEIs. This approach utilized key informant interviews and researcher observations to collect the necessary data (Smith & Brown, 2021).

2.2 Research Locale

This case study was conducted in Iloilo City, a highly urbanized city with a population exceeding 450,000 residents. The city is divided into seven districts: Jaro, La Paz, Lapuz, Mandurriao, Molo, Arevalo, and the City Proper. Each district hosts various educational institutions, offering diverse educational opportunities to residents and students from neighboring provinces. Iloilo City is home to five universities, each holding distinct prestige. The city’s history as an educational hub dates back to the Spanish colonial period when the first schools were established. Over the years, Iloilo City has evolved into a key player in the educational sector in the Visayas and Mindanao regions, attracting students nationwide due to its reputable institutions and comprehensive academic programs. The higher education institutions in Iloilo City significantly contribute to the local economy by generating employment and fostering economic activities through their operations, student expenditures, and institutional partnerships. Additionally, these institutions are integral to social development, providing educational opportunities that empower individuals and communities, drive social mobility, and address local and national issues through research and community service initiatives.

2.3 Research Participants

This study's participants were selected using purposive sampling, a method appropriate for choosing individuals with specialized knowledge or expertise in empirical investigations (Robinson, 2014). The study involved two personnel directly engaged with the internal control system at their higher education institutions (HEIs). To protect their identities, participants were assigned pseudonyms, ensuring anonymity and confidentiality in compliance with RA 10173, the Data Privacy Act.

In the narratives, "Rex" is the key informant, serving as the head of internal control at his HEI, while "Susan" provides insights on procurement as the head of procurement at her institution. This measure was implemented to guarantee informants' privacy throughout the research.

2.4 Instrument and Data Gathering Procedure

The researcher conducted in-person interviews with participants near their usual workplace. To avoid disrupting office work or operations, the interviews were scheduled outside working hours, during less busy times, or at times convenient for the participants. Each interview lasted a maximum of one hour. Participants were informed about the purpose of the interview, the types of questions asked, and how the data would be used. Participants' consent was also obtained to record the interview or take notes during the session.

The interview focused on one key question: "What are the internal control systems of a state university in the five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring?" This question aimed to gather comprehensive insights into the internal control mechanisms within the higher education institution.

Data triangulation was also applied to enhance the reliability and credibility of the study's results. The researchers used multiple sources of data, such as relevant government laws and regulations, and existing related literature on internal control frameworks; hence, this approach has not only enhanced the reliability of the research findings but also provided a richer and more in-depth knowledge of the research subject.

2.5 Data Analysis Procedure

The researcher employed the stages of thematic analysis as outlined by Braun and Clarke (2006). The data gathered from the in-depth interviews were transcribed and then analyzed. The transcripts were coded and categorized to identify patterns, which were subsequently recategorized to identify themes using Microsoft Word software. These themes were cross-referenced with existing documents to ensure consistency and depth.

The analysis process began with the interviews and continued through transcription, coding, pattern construction, categorization, and theme identification, culminating in the creation of narratives. The interactions and interplay between patterns, categories, and themes were analyzed throughout this process to establish their interrelationships based on the participants' narratives and supporting documents.

The entire data analysis was conducted manually. As the researcher was new to this type of research, this manual approach provided firsthand experience with the qualitative research process. The researcher was guided by a panel of experts and supported by reliable references provided by them throughout the analysis.

2.6 Ethical Considerations

The researcher submitted a letter to the Head of Internal Audit Service, endorsed by the adviser and dean of the School of Graduate Studies, to obtain permission for the study. Before collecting any data, the researcher secured ethical clearance and participant consent.

Confidentiality was afforded to all data acquired from participants. Identifying information was kept confidential, with data assigned an ID number so only the researcher could determine each participant's specific responses. During the discussion of findings, each participant was presented using a pseudonym.

Participation in this study was entirely voluntary. Participants were free to decide whether or not to participate and could withdraw from the study at any time without providing a reason. This ensured that their participation was based on informed consent and that they were aware of their right to withdraw.

3.0 Results and Discussion

This section discusses and analyzes the participants' responses when asked regarding the internal control system of a state university in the areas of five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. As presented below, the following themes were derived from the participants' responses.

Theme 1: Compliance with Regulatory Requirements

Compliance with regulatory requirements is crucial for public higher education institutions (HEIs) in the Philippines to ensure they meet national standards, maintain accreditation, and provide quality education and services. Public HEIs in the Philippines operate under a stringent regulatory environment governed by various bodies, including the Commission on Higher Education (CHED), this agency establish policies and standards to ensure quality education and institutional accountability.

Rex shared his views on public higher education institutions (HEIs) practices regarding disseminating the code of ethics, employee training opportunities, and the hiring process. In disseminating the code of ethics in public HEI, Rex highlighted the significance of the flag ceremony. In this event, the code of conduct is recited and solemnly sworn to by the attendees. This ceremony is a regular and formal reminder of the expected behaviors and ethical standards. Participants internalise these principles by repeatedly reciting the rules and regulations, ensuring they remain aware of and committed to upholding the prescribed code of conduct. This practice helps to instill a sense of duty and integrity, reinforcing the importance of ethical behavior in their roles as government employees. He narrated saying,

"Even at the start, during the flag ceremony, we swear to the code of conduct for public servants and private employees because it is always duly disseminated. During every flag ceremony, you recite the do's and don'ts. That's one way of ingraining these things into your head; in other words, it engages the system to ensure that you always adhere to the prescribed code of conduct for government employees."

In terms of training opportunities for their employees, he disclosed that employees are sent to institutional training programs annually as part of their professional development and performance targets. Professional associations such as the Association of Government Internal Auditors or the Philippine Institute of Certified Public Accountants (PICPA) organise these training programs. They are selected based on the employees' areas of specialization, available budget, and specific needs, such as the code of ethics training mandated by the civil service. Each year, employees have a goal in their Individual Performance Commitment Report (IPCR) to attend at least one relevant training session in their field, ensuring continuous learning and adherence to professional standards. He narrated,

"We are sent to institutional training, for example, by the Association of Government Internal Auditors or PICPA, depending on our area of specialization, the budget, or code of ethics training by the civil service. It depends, but yearly in our Individual Performance Commitment Report (IPCR), there is a target that you will be sent out for training once a year, but of course, it should be related to your field."

Rex explained that training is an integral part of their professional development and is included in the Individual Performance Commitment Report (IPCR), and he even demanded the training. The process of attending training sessions is collaborative and proactive. AT mentions that they have already attended two training sessions by March, demonstrating a commitment to continuous improvement. The training needs assessment (TNA) is crucial in identifying appropriate training opportunities. This assessment can be based on the participant's self-identified needs or recommendations from their office head. Whether through personal request or a directive from their superior, employees ensure they receive relevant training to enhance their skills and performance.

As for the hiring process, Rex outlined a comprehensive recruitment process in their organization. It begins with a job posting that specifies the required competencies, duties, and responsibilities for the position. Interested candidates submit their applications, which are reviewed to ensure they meet the qualification standards. Those who fulfill the criteria are shortlisted and proceed to the examination phase. Only candidates who pass the exam advance to the interview stage. Additionally, physical fitness is a requirement for the job, necessitating candidates to provide a 'fit to work' medical certificate to confirm their ability to perform the duties associated with the position. He narrated,

"When you look at it, there's a job posting detailing what is needed, the competencies, duties, and responsibilities. Then, people apply, and we shortlist based on who submitted the requirements and met the qualification standards. After that, there's an exam, and only those who pass can proceed to the interview. Additionally, you need to be physically fit, requiring a 'fit to work' medical certificate."

Rex also mentioned the involvement of a selection board in the process, as he narrated,

"The Human Resource Merit Personnel Selection Board handles this."

He explained that their organization strictly adheres to the Anti-Nepotism Act, which prohibits favoritism based on family relationships in appointing or approving personnel. Any authority figure who violates this rule risks dismissal from their position. However, there are exceptions to this rule for specific roles that are crucial and in high demand, such as medical doctors and faculty members with specialized expertise. These exceptions ensure the organization can fill critical positions with qualified individuals despite the general prohibition against nepotism. He narrated,

"We follow the Anti-Nepotism Act. Any approving or appointing authority who violates that rule may be dismissed from service. The exception is for medical doctors and faculty members whose areas of speciality are highly required; they are exceptions to the rule."

The practices and requirements described by Rex illustrate the comprehensive approach public HEIs take to ensure compliance with regulatory standards. These measures align with the regulatory framework of the Civil Service Commission (CSC), ensuring that agencies provide proper training, adhere to standards, and maintain accountability. According to CSC rulings, such practices are essential for fostering an efficient and ethical workforce within government institutions (CSC, 2022). The Commission on Audit (COA) also highlights the importance of these measures in its findings, emphasizing the need for strict compliance to prevent irregularities and enhance operational transparency (COA, 2021). While some universities rigorously implement these guidelines, others may lag in adherence, leading to discrepancies in governance and accountability across higher education institutions (Martinez & Cruz, 2022).

As reinforced by Arens et al. (2017), leadership's commitment to integrity and ethical values significantly impacts the control environment. Leaders set the tone at the top, which permeates throughout the organization. This commitment to a strong control environment influences employee behavior, promoting integrity and ethical values as it establishes a culture that supports the implementation and maintenance of effective internal controls (Kaplan & Mikes, 2016). Public HEIs should enhance their compliance with regulatory requirements, fostering an efficient and ethical workforce that adheres to the highest standards of integrity and accountability.

Theme 2: Formal Risk Assessment
The regulatory framework for risk assessment in Philippine public HEIs is guided by various national bodies, including the Commission on Higher Education (CHED), the Commission on Audit (COA), and the Department of Budget and Management (DBM). These agencies provide guidelines for effective risk management practices.

Formal risk assessments within public Higher Education Institutions (HEIs) and insights from Rex provided a detailed view of these institutions' structured and systematic approach to managing and mitigating risks. He acknowledged the importance of having an Enterprise Risk Management Office (ERMO). However, in State Universities and Colleges (SUCs), there is no designated Plantilla position for this role. Consequently, risk management responsibilities are assigned to the Quality Assurance (QA) Office. This arrangement allows SUCs to address risk management needs despite the absence of a dedicated ERMO. He narrated,

"That's a good question. There should be an Enterprise Risk Management Office (ERMO), but in State Universities and Colleges (SUCs), because we don't have a Plantilla position for that, the Quality Assurance (QA) Office handles it."

The internal audit (IA) department serves as the third and final line of defense. They audit the processes the process owners and QA manage, ensuring thorough risk management before external regulatory agencies review the organization. Rex pointed out that, technically, internal auditors should be aware of and understand this model, although it's not always the case. This three-line defense framework is essential for comprehensive risk management within the organization. He said;

"But remember the enterprise risk management three lines of defense model. The role of Internal Audit (IA) is very clear. In the first line of defense, the process owner will manage and identify risks. The second line of defense is the Enterprise Risk Management Office (ERMO), which is substantially performed by QA. However, the nature of QA is not as proactive as that of an ERMO. QA tends to identify risks and prescribe risk mitigation measures during audits. Then, we audit the process owners and QA for us in IA. We are considered the last line of defense. Even the ERMO model follows the three lines of defense model, where IA is the last line of defense before external regulatory agencies get involved. Technically speaking, it's sometimes unimaginable that even common auditors might not be aware of this during conventions."

Understanding risk is essential in this context, and AT even said he still memorizes, and he mentioned,

"Supposedly, the Internal Audit Service (IAS) is already involved before external auditors identify any risks or violations. The role of the IAS is to call the attention of the process owner to potential violations of laws, rules, policies, and procedures or issues identified by the NIQA. Remember the definition of risk: anything that may prevent you from achieving your objective or modify an outcome and prevent you from achieving your objective... I still remember it."

Rex explained that the foundation of their framework is centered around objectives and risks. Consequently, any audit finding inherently carries a certain amount of risk. They conducted a baseline assessment of the university's internal control system to address this. Based on this assessment, they formulated risk descriptions. Interestingly, they decided to eliminate the concept of a materiality threshold. This means that whenever they identified findings within a specific category, they automatically assigned a risk, regardless of the severity or size of the finding. This is also the same sentiment that Kaplan and Mikes (2016) expressed when they advocated prioritizing risks based on their potential impact and likelihood, which helps focus resources on the most critical risks.

As he spoke, he showed the documents to illustrate their point and provide concrete examples of their work. He narrated,

"The cause of the framework is objectives and risk, so an audit finding carries a certain amount of risk. So, we conducted a baseline assessment of the university's internal control system, and based on that, we formulated a risk description. By the way, we did away with the concept of a materiality threshold. As soon as we find something that falls into a particular category, we automatically assign it a risk. This is it (showing the documents)."

Rex explained that the board had approved their proposed framework. They emphasized that the level of risk and the institution's specifics influenced the framework. The proposal they submitted was adopted without any amendments.

"This is board-approved, so it depends on the risk and the institution. This is what we proposed, and in other words, they adopted the risk framework we proposed and approved it without any amendments. This is the risk rating description: Low risk is 1, high risk is 5."

When they catch someone or find violations, Rex narrated, *"We issue necessary audit recommendations. This means that for high risk, the probability is the threshold – the likelihood that a case might be filed against you is already that high."*

Rex mentioned that they are fortunate in both the main and external campuses because their risk-taking approach is moderate. This means that while they may not be exceptionally risk-averse, they are also not overly risky. This balanced approach indicates that their internal control systems are fundamentally sound and not impaired. He said,

"We are fortunate here in the main and external campuses that their risk-taking is moderate. In other words, it's not bad, it's not that good either, but basically, the internal control systems are not impaired."

Overall, the discussion provides valuable insights into the formal risk assessment practices within public HEIs, highlighting the significance of structured frameworks, institutional compliance, and proactive risk management measures. These practices align with COSO's (2013) declarations that risk assessment enables organizations to identify potential internal and external risks that could impact their operations, including financial, operational, compliance, and strategic risks. Research indicates that effective risk control systems significantly enhance organizational performance (Jones & Smith, 2021). Studies reveal that institutions with robust risk control measures experience fewer incidents of fraud and operational inefficiencies, while those lacking such systems face increased vulnerabilities and potential financial losses (Jones & Smith, 2021). This trend is also evident in universities, where the implementation of risk controls is associated with improved governance and reduced risk exposure (Brown & Green, 2020).

Public HEIs should leverage advanced technology and data analytics tools to enhance their risk management practices. These tools can aid in identifying trends, predicting potential risks, and implementing timely interventions, thereby strengthening the overall risk management framework.

Theme 3: Standardized Control Procedures

Implementing standardized control procedures ensures efficient management of cash collections, disbursements, procurement, budgeting, and payroll processes. Kaplan and Mikes (2016) noted that a strong control environment influences employees' behavior, promoting integrity and ethical values. It establishes a culture that supports implementing and maintaining effective internal controls. The ensuing portions of the interview reflect this.

Regarding cash collections, Rex emphasized that its institution strictly follows the guidelines and regulations prescribed by the Commission on Audit (COA) and the Government Accounting Manual (GAM). These standards ensure accuracy, transparency, and accountability in financial and auditing processes. They maintain high compliance and operational integrity by adhering to these prescribed guidelines. He narrated,

"We strictly follow what is prescribed by the COA and the Government Accounting Manual, the GAM."

He described the practice for cash collections:

"All receipts are deposited intact, then they are audited and checked by the cashier to ensure that the daily collections match what was deposited in the bank, things like that. As the process owner, the cashier checks for overage or shortage from her end. Strictly speaking, you should report any overage or shortage, but generally, they balance it out beforehand."

He further explains the cash shortage and overage as he narrates,

"We follow the COA guidelines, which require collections to be deposited within 24 hours. It's a challenge to find a way to do this because the COA checks whether deposits are made within those 24 hours."

He also mentioned that they conduct surprise cash counts, but when they are done regularly, they are announced in advance; he explained:

"We conduct cash counts. There was a period dedicated entirely to cash counts, which was in June, and those were surprise counts. However, it's announced for regular audits, like compliance operations audits, but they don't know exactly when we will conduct the cash count."

Rex explained the different levels of government audits. There are three main types: compliance audit, management audit, and operations audit. A compliance audit focuses on adherence to laws, rules, policies, and procedures. A management audit includes compliance aspects and looks at managerial issues, such as processes and overall management. The operations audit, the highest level of audit in the public sector, combines performance and management issues. Cash counts are considered a first-level audit with a very limited scope. These are conducted occasionally and are always a complete surprise, emphasizing a preference for catching discrepancies unannounced.

"You know, in the government, there are three levels of audit: compliance audit, management audit, and operations audit. A compliance audit focuses solely on laws, rules, policies, and procedures. A management audit includes compliance aspects but addresses managerial issues, such as processes and overall management. The operations audit, which is the highest level of audit in the public sector, combines performance and management issues."

He explained that cash counts are a first-level audit with a limited scope. These audits are conducted occasionally and are always a complete surprise. He further elaborated on the surprise cash counts. He explained that these audits are unexpected and conducted periodically to identify discrepancies without prior notice. He narrated,

"Busy or not busy, because the auditors technically have complete access to documents and processes, they are always informed during the audit briefing... Some people hope to avoid it, but it is always pushed through."

Rex explained that technically and legally, individuals have no right to refuse the auditors access to documents and processes. Legally speaking, refusing would constitute insubordination. He narrated,

"No, technically and legally, they have no right to refuse, legally speaking, because that would constitute insubordination."

He described the practices for cash disbursement with mixed emotions, stating:
"It's very stringent, ah. First, before you disburse the cash, you have to let the receiving clerk check the completeness of the documents. Once the documents are in order, they are forwarded, let's say, from the receiving clerk to the accountant for verification. If everything is okay with the accountant, it then needs to be signed by the finance division head. But before that, it has to be budgeted first. If the budget is not available, it cannot be processed by the government. So, budget availability is confirmed first. After the receiving clerk confirms completeness and the budget office signs off the fund's availability, it is forwarded to the accountant. Once the accountant checks it, it is approved by the finance division head. Afterwards, it is forwarded to the cashier to issue checks."

He described the practices for procuring equipment and supplies:
"For any amount, the procuring entity first crafts the technical specifications. Afterwards, they conduct a market survey to estimate the price. They then create an approved budget contract and compare it. After that, it goes out for bidding. The surplus will automatically be shortlisted. In other words, it's a very long process before you can disburse funds from the government, especially for procurement, because you are bound by Republic Act 9184 when it comes to procurement."

He also explained that if there is a delay in delivery, the service provider faces penalties; he narrated,
"The service provider, the bidder, the supplier, for instance, if they are supposed to deliver now but are 30 days late, they will be charged 1/10 of 1% for every day of delay."

He further explained that they meticulously check whether liquidated damages have been charged for delays during audits. They thoroughly review the bidding documents and all related paperwork. He mentioned they have caught numerous instances where liquidated damages were not charged. In such cases, the responsibility falls on the accountant and the head of the office, who are held accountable and required to pay the penalties. He emphasized that failure to settle these charges can prevent individuals from retiring, highlighting that they have seen many cases where this issue had to be resolved before retirement could proceed. As he narrates,

"We also checked during the audit whether liquidated damages were charged. We reviewed the bidding documents and everything because we have caught many instances where they failed to charge liquidated damages. You, the accountant, and the head of the office will be the ones to pay. You will be held accountable, and it can prevent you from retiring. We've seen many cases where they had to settle these issues."

Rex shared a point of pride, noting that their accounting and finance division is exceptionally stringent, sometimes even more so than the auditors. He recounted a recent instance where the division disallowed expenses for snacks and lunch. When questioned about the legal basis for this decision, he had to ask for an explanation, highlighting the division's rigorous approach to financial compliance.

Susan, for her part, provided a more detailed step-by-step process of the procurement of equipment and supplies: *"Ma'am, the mandate or the core functions are three main functions: first is procurement planning, then the back secretariat, and the third is the contract memos. It starts with procurement planning, which covers needs assessment, market survey, crafting of technical specifications, and preparing each unit's project procurement management plan (PPMP), which will then be consolidated into an annual procurement plan (APP). The mode of procurement is anchored on RA 9184, deliberated by the BAC, and included in the procurement plan, which is then consolidated into the annual procurement plan for the entire university. However, changes are allowed during the year or by the next year. We have what we call realignment. For example, if there are changes, like a change in your program or target, since it's just a projection, you can also make changes. We call it realignment or a revised PPMP. You will undergo the same process from the procurement plan to the revised one for approval by the Board. We also have what we call a supplemental additional procurement plan."*

She explained the functions of the procurement division's secretariat role for the Bids and Awards Committee (BAC). She detailed that he heads the secretariat, which provides administrative support to the BAC, a body created by the Board of Regents. The BAC consists of a minimum of three and a maximum of seven members, including three permanent members and two provisional ones. Additionally, there is a Technical Working Group (TWG) composed of experts relevant to specific projects—for instance, an engineer for infrastructure projects or specialists for goods procurement.

The end user of a project also supports the BAC as a member. The responsibilities of these roles are outlined in RA 9184. He further explained that negotiated procurement allows the selection of specific suppliers to request quotations. These quotations are submitted in sealed envelopes and are advertised through the Philippine Government Procurement System (PhilGEPS) portal. Registered suppliers can view these advertisements and participate in the procurement opportunities, submitting their bids physically or electronically. She narrated,

"In the procurement division, we act as the secretariat for the Bids and Awards Committee (BAC), and I head this secretariat. Our function is to provide administrative support to the BAC, which the Board of Regents created. The BAC consists of a minimum of three and a maximum of seven members, including three permanent members and two provisional ones. We also have a Technical Working Group (TWG), which means an engineer will be a member if the project is related to infrastructure. Similarly, we have TWG members for goods procurement, and these members vary based on the project. The project's end user also supports the BAC as a member, so if they are the end user, they automatically become a member of the BAC. The responsibilities of these roles are outlined in RA 9184. In negotiated procurement, you can choose whom to send the request for quotation to. These quotations are submitted in sealed envelopes and posted or advertised on the Philippine Government Electronic Procurement System (PhilGEPS) portal. This portal advertises all government procurement opportunities. Any supplier registered with PhilGEPS can join and view these advertisements, submitting their bids physically or electronically."

She also mentioned that they conduct procurement quarterly, except for cases that are urgent and necessary, saying,
"We conduct procurement quarterly, except for urgent and necessary cases. There are exceptions, but we do it this way by default for efficiency. It's time-consuming, and we prefer to handle a larger bulk of procurement at once because, in our experience, it's cheaper when it goes through the bidding process due to the volume. Our suppliers are typically from Manila."

Susan also explained the steps that follow the notice to proceed in the procurement process. After the notice, they move on to preparing the contract for implementation. He mentioned that there are specific approval authorities based on the contract amount. Once the contract is ready and received by the contractor or supplier, performance bonds and bidding securities come into play, ensuring compliance with the terms established during the bidding process. She recounted,

"After the notice to proceed, the next step is preparing the contract for implementation. Regarding contracts, we have a ceiling or delegated authority: up to P1,000,000 can be approved by the Vice President, amounts over P1,000,000 require the

President's approval, and the Board of Regents must approve contracts of P5,000,000 and above. Performance bonds and bidding securities are involved once the contract is ready and received by the contractor or supplier."

Susan explained the detailed process of procurement implementation further. The supplier must deliver items in compliance with these specifications and issue a notice of delivery. The supply office receives a contract copy to understand what is being delivered. Upon delivery, the supplier delivers the items to the supply office, where the delivery is checked.

An inspection committee, along with a technical working group that includes technical experts, verifies the delivery. The experts involved depend on the nature of the procurement; for example, someone from the MIS department would verify the computer specifications. If everything is in order and compliant with the specifications, the supply office accepts the items and turns them over to the end user. The end user then receives the items, and once the order is complete and all obligations, including any training components, are fulfilled, the supplier conducts the necessary training. She narrated,

"So the implementation will start based on the contract, and part of the contract received includes the technical specifications created by the end user. The supplier will deliver in compliance with those technical specifications. Upon delivery, the supplier will issue a notice of delivery. The supply office will have a contract copy to know what is being delivered. The supplier will then deliver to the supply office, and they will check the delivery. We have an inspection committee and a technical working group with technical experts, depending on the nature of the procurement. For example, someone from MIS will be involved in verifying computer specifications. If everything is in order and compliant with the specifications, the supply office will check and receive the items and then turn them over to the end user. The end user will receive them, and once the order is complete and all obligations, including any training components, are fulfilled, the supplier will conduct the necessary training."

Susan explained that after all requirements are met and the documents are prepared, they are forwarded along with the supply to the procurement team. The team checks and finalizes these documents before forwarding them to Accounting and Finance for payment. Following this, the procurement team also evaluates every supplier to assess their performance and ensure compliance with the contractual obligations.

"Once everything is complied with and the documents are ready, along with the supply, the documents are forwarded to us. We then check, finalise, and forward them to Accounting and Finance for payment. After that, we also evaluate every supplier."

Susan laughed, saying that although adhering to the guidelines might seem challenging, they strictly comply with all regulations as a government institution. This compliance is ensured through a rigorous scoring system that evaluates their adherence to the set standards and protocols.

"If you follow it (laughs), but as a government institution, we are very compliant because we have a scoring system."

She explained that the government sets specific targets that must be met, one of which includes procurement parameters. These targets are critical indicators of performance. If these procurement targets are not met, it results in a lower score, affecting the budget allocated in the future. This system ensures that adherence to procurement guidelines directly influences financial planning and resource allocation.

"There are targets cascaded from the government that you need to meet, and one of the indicators is the procurement parameters. If you don't meet these, your score will be low, affecting your budget later."

She also described a scenario where the provided budget is primarily allocated for procuring specific items. The next budget will be reduced if these items are not procured due to delays—whether from the end user or a lack of suppliers. This reduction happens because the government assesses the institution's absorption capacity. In government funding, allocations are based on portfolio performance, and poor fund absorption can result in decreased future budgets. She narrates, *“For example, if they provide you with a budget and most of that budget is for procuring specific items, but you don't procure them because of delays—either from the end user or the lack of suppliers—your next budget will be reduced. They assess your absorption capacity because, in the government, funding is allocated based on low portfolio performance.”*

When the interviewer mentioned that the next question was about budget, Rex shared his experience of being recruited to the budget office.
"*She already has expertise in the budget office.* He continued, "*We headhunted her because that's her expertise in budgeting, government budgeting process.*

Rex discussed the budgeting process prescribed by the Department of Budget and Management (DBM). *“The Department of Budget prescribes cash-based budgeting, meaning that whatever your requirements are for the year, that's all you will be given. The DBM mandates a cash-based budgeting system, where only the specific budget requirements for the year are allocated. This approach ensures the funds are strictly aligned with the institution's annual needs*.”

He also shared insights into their organization's budget management practices,
"*There is a collective negotiation agreement every year, so whatever savings we have, if they can't be used, some items that have been pending for a long time and can't be justified by the procuring entity are reverted to the National Treasury. But the funds are returned to us, except for some specific items.”*

This indicates that while some unused budget savings are returned to the National Treasury, generally, the organization receives these savings back, ensuring they can still utilize the funds within certain constraints.

He also discussed the nuances of budget management and reallocation within the organization,
"*It can be carried over, but you must apply for it. For example, internal income returns to us, but you must still apply to DBM for its release. Here, we can re-align the budget if it remains within the ceiling. If you are given P1,000,000, assuming it's P1,000,000, you can only spend up to that amount. For instance, if you exceed your budget for furniture and fixtures but have savings in your travel budget, you can re-align if your total re-alignment does not exceed the P1,000,000 allocated to you.”*

This illustrates the flexibility in budget management within the given constraints, allowing for the reallocation of funds to meet specific needs without exceeding the overall budget ceiling.

Rex summarized the process of budget reallocation within their organization; he narrated,
“To make a long story short, there are some items you can re-align, and there are some items you must wait for.”

This statement highlights that while certain budget items can be reallocated with some flexibility, others require approval or additional funding, indicating a mix of adaptable and rigid budgetary processes.

He also described how budget utilization is closely monitored within the organization. He narrated,
"*Yes, because your budget utilization is closely monitored. There's a computerized system that tracks it. They send reports quarterly.”*

This explanation underscores the systematic and computerized approach to budget monitoring, with regular quarterly reports ensuring that budget utilization is scrutinised.

Rex also detailed the process of payroll processing; he narrated
“Our HR handles it, under our HR. They do the computations as a matter of internal control; they do all the calculations and then forward the documents to accounting for payment. They issue and prepare documents like disbursement vouchers and everything, and then finally, as a matter of internal control again, it is forwarded to the cashier. The cashier is the one who goes to the bank to get it credited.”

Rex expressed frustration over the budgeting and payment process in their organization.
"*We still need to go through the budget process because, as you know, in the government, there is no budget, no pay. Everything requires a certification of funds availability from the budget officer. Without this, like our DTR (Daily Time Record), we get very frustrated because our rata has not yet been given.”*

He likewise emphasized the stringent measures and low tolerance for risk in their financial processes, saying: *"In that aspect, we are very strict; in that area, we have a very low-risk tolerance. Here, it's not allowed, not allowed."*

Audits play a crucial role in maintaining the integrity of processes within public universities. According to COSO (2013), control activities are essential components of an effective internal control system. These activities include approvals, authorizations, verifications, reconciliations, reviews of operating performance, and segregation of duties. The participant describes how various levels of audits—such as compliance, management, and operations audits—are conducted, with special audits like cash counts often being unannounced to ensure genuine checks on processes. Auditors have full access to documents and processes, and refusal to comply with an audit is considered insubordination.

The standardized control procedures in the public university aim to ensure transparency, accountability, and compliance with regulatory requirements. These measures effectively manage financial transactions, prevent fraud, and uphold the institution's integrity. This aligns with Romney and Steinbart's (2018) emphasis on well-defined policies and procedures providing a framework for consistent and effective control activities. Adhering to these guidelines allows the institution to fulfill its legal obligations and promote a culture of integrity, fairness, and continuous improvement among staff and operations.This finding also echoes Arens et al. (2017), who stated that control activities help organizations comply with laws and regulations and manage risks. In Polytechnic University of the Philippines (PUP) standardized procedures for procurement and financial management have enhanced transparency and reduced the risk of financial mismanagement. Regular internal audits and adherence to DBM guidelines have ensured financial integrity and accountability (Polytechnic University of the Philippines [PUP], n.d.)

By maintaining and enhancing these processes, public HEIs can ensure effective management of financial transactions, compliance with regulatory requirements, and foster a culture of integrity and continuous improvement.

Theme 4: Formal Communications Structures

Communication is essential for the smooth operation of any organization, including universities (Clampitt, 2016). This responses outlines the processes and mechanisms in place at the public university for disseminating information and ensuring that policies, memos, and updates reach all relevant employees efficiently and effectively.

Rex discussed their organization's information dissemination process and the role of their records office. The participant highlighted the role of the records office in ensuring that information is systematically and digitally transmitted to the relevant parties. While acknowledging that the process may have imperfections, the participant indicated that it adequately meets the organization's needs.

"We have a records office whose mandate is to disseminate information. They don't just issue it; they transmit it digitally to all concerned or heads, as the case may be. So, in terms of information dissemination, it's okay. It's not perfect, but it's okay."

He shared his thoughts on their organization's information dissemination process. This statement, "*So, in terms of our information dissemination aspect, it's okay. It's not perfect, but it's okay*," reflects the participant's view that while their information dissemination process has room for improvement, it is generally functional and acceptable.

He also described the process and expectations surrounding email communication within their organization. Highlights the accountability measures for email communication, emphasizing that receipt of emails is tracked by the MIS department, making it difficult for staff to deny having received essential communications. He narrated:

"With emails, they are checked and cannot deny receiving them. We are expected to print and discuss them if it's an office matter and give them to the concerned staff if it's a staff matter. So, you can't deny receiving it, although some people here claim they didn't because when MIS checks, they can see it. Our Management Information System is a department that checks these things."

He further discussed the resources available for sending communications within their office. He highlighted the technological resources explicitly allocated for communication purposes, indicating the capacity and potential limitations of the office in managing their communication tasks; he stated, *"There are five computers in the office."*

He likewise explained the process for approving and disseminating specific communications or new policies within their organization. The hierarchical and strict communication approval and dissemination procedures indicate that most communications require the President's approval, with some exceptions for higher-level officials.

"It depends on your request; we follow a very strict process. They will request approval for dissemination from the Office of the President. All communications here pass through the Office of the President except those at the Vice President and my level, where we issue directly to concerned units. For example, for special orders, whoever is to be copy furnished, only those will be issued by our Records Office."

Reflecting on their role in improving the organization's information and dissemination system. Participant AT's contribution to establishing a standardized, ISO-compliant information and dissemination system, aiming to improve the previous, less organized approach, he narrated,

"In our office, modesty aside, because I was assigned to the Office of the President before. I was the one who institutionalized the idea that our Information and Dissemination system should be ISO-compliant. It should be ISO-compliant because, before, it was somewhat haphazard. I mean, modesty aside."

The findings indicate that the HEI in this study has effective information and communication control protocols. These practices underscore the importance of information and communication as essential components of an effective internal control system. Ensuring that information is identified, captured, and communicated promptly enables the organization to fulfill its internal control and other responsibilities. This aligns with Gelinas et al. (2018), who asserted that effective communication supports the functioning of all components of internal control by ensuring that control policies and procedures are understood and followed throughout the organization.

To enhance communication, it is recommended to establish a variety of channels, such as email, intranet, instant messaging, and regular meetings, to meet the diverse needs and preferences of employees. This approach ensures that essential information is disseminated promptly to everyone in the organization.

Theme 5: Robust Monitoring Process
In the context of public institutions, the theme of a robust monitoring process highlights the importance of internal and external audit mechanisms to ensure transparency, accountability, and effective risk management. Rezaee (2018) explained that monitoring facilitates continuous improvement of internal control processes by providing feedback and identifying areas for enhancement. This is reflected in the practices of the HEI. Rex has discussed the roles of external and internal auditors within their organization. It clarifies the distinction between the roles of COA, which evaluates the fairness of financial statements, and the internal auditors, who assess the effectiveness and adherence of internal control systems and their risk management.

"COA is the government's external auditor. They express an opinion on whether the Financial Statements of (name of public HEI) are presented fairly. As for us, we do not express an opinion. We examine whether the internal control system functions as originally planned and created. That's our focus. We examine the internal control component and its risk-taking."

He explained that the approval process for audit activities within their organization, including the annual audit program and plan, require formal approval, indicating a structured approach to auditing within the organization,

"*It depends; you must get your audit program and your audit plan for the entire year approved."*

Rex discussed the comprehensive nature of their audit reports, which are extensive and detailed, reflecting the thoroughness of their audit process; he stated, *"Yes, we have an audit program and an audit plan, and our audit report reaches up to 80 pages."*

He elaborated further on the mandatory requirements for audit preparation in their organization. Underscores the organization's need to adhere to formal guidelines and standards set by the Revised Philippine Government Internal Audit Manual, ensuring that their audit processes are systematically planned and documented.

"*But we must prepare an audit plan and program in compliance with the Revised Philippine Government Internal Audit Manual."*

The HEI's commitment to a structured auditing approach is evidenced by its formal approval process for the annual audit program and plan. This ensures that all audit activities are meticulously planned and aligned with the institution's objectives. The comprehensive and detailed nature of their audit reports, which can be as extensive as 80 pages, highlights the thoroughness and rigor of their audit processes. Compliance with the Revised Philippine Government Internal Audit Manual further demonstrates the institution's dedication to systematic and standardized audit practices, promoting continuous improvement of internal control processes through feedback and identification of areas needing enhancement.

To enhance the efficiency and accuracy of audits, investing in advanced audit management software is recommended. Such technology can streamline the entire audit process, from planning to reporting, enabling real-time tracking and analysis, thus supporting effective monitoring and improvement efforts. This aligns with Rezaee's (2018) assertion that robust monitoring facilitates continuous enhancement of internal controls by providing timely feedback and identifying areas for improvement.

4.0 Conclusion

Public HEIs strictly follow the guidelines and standards set by various governing bodies, including educational authorities, accreditation agencies, and government departments. This adherence is foundational to their operations. This study not only the present state of knowledge regarding internal control systems in HEIs but also identifies critical areas for future research, thereby contributing to the ongoing effort to enhance governance and accountability in higher education. For future studies, the research suggests exploring specific challenges and solutions related to internal control implementation in different types of educational institutions. Further investigation into the long-term impacts of these controls on institutional performance and governance is recommended to provide deeper insights and guide policy development.

5.0 Contributions of Authors

The principal author contributed to the conceptualization and design of the study, established the methodology, conducted interviews, and managed data transcription. The co-author contributed to drafting and revising the manuscript and provide essential advisory support throughout the study.

6.0 Funding

Central Philippine University supported this work under the faculty development program.

7.0 Conflict of Interests

The author declares that he has no conflict of interest.

8.0 Acknowledgment

The author is grateful for the panel's guidance and expertise.

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