

Internal Control Practices of the Provincial Government of Davao del Norte

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Abstract

The purpose of this case study is to explore the internal control practices of the Provincial Government of Davao del Norte, Philippines. Key Informant Interviews (KII) and secondary data collection were utilized to gather relevant information. Findings revealed that while the province lacks a formal internal control manual, offices responsible for program implementation and financial transactions proactively enforce internal controls in compliance with laws, rules, and regulations. The control environment includes clear job accountabilities, adherence to standards, proper financial reporting, and employee performance feedback. Approving the Provincial Strategic Financial Management Plan (SFMP) for 2018–2022 highlights efforts to manage finances efficiently. Disbursement processes are coordinated with strict compliance to auditing rules, ensuring no payments are made without proper review. Although risk identification and assessment are not fully institutionalized, projections of future risks and alignment with internal controls are practiced. Control mechanisms such as employee orientation, strategies to prevent audit disallowances, and safeguarding of government assets are implemented. Information and communication activities include timely report submissions and inter-office coordination. Monitoring practices involve technological innovations, fraud prevention measures, and performance assessments. Based on the findings, the study underscores the need for an institutionalized internal control manual to strengthen accountability and transparency. Despite existing initiatives, formalizing processes and addressing gaps in risk management can enhance operational efficiency and resource protection.

Keywords: implementation of control environment; tool for identification of risks; control activities; implements information and communication; monitoring

Introduction

Every government agency has different internal control practices. It depends on top management how they implement such practices if they comply with the components of internal control established by the Commission on Audit (COA) for government entities, such as the control environment, risk assessment, control activities, information and communication, and monitoring to ensure effective governance. This key component of internal control is patterned after the standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This committee is a joint initiative of five private-sector organizations dedicated to providing thought leadership through the development of

frameworks and guidance on enterprise risk management, internal control, and fraud deterrence. Organizations worldwide, including the Commission on Audit (COA), use the internal control framework they have created. That is why COA issued Circular No. 2018-003 dated November 21, 2018, prescribing the use of Internal Auditing Standards for the Philippine Public Sector and Internal Control Standards for the Philippine Public Sector.

The general objective of this Internal Control Standard established by COA pertains to the effectiveness and efficiency of the agency's operations, known as operational objectives. It also includes reporting objectives, which encompass developing, maintaining, and making available reliable and relevant financial and non-financial information and fair disclosure of information in timely reports to internal and external stakeholders. Then, there are compliance objectives, which deal with the agency's adherence to laws, rules and regulations, contracts, managerial policies, and management directives. Finally, safeguarding assets or resource objectives concerns the protection of resources against loss, misuse, and damage due to waste, abuse, mismanagement, errors, fraud, and irregularities. Also included in the circular are the five components of internal control and their definitions. One of these is the control environment. COA defines the control environment as setting an agency's tone and influencing its staff's control consciousness. It is the foundation for all the other components of internal control, providing discipline and structure. The second component is risk assessment, which identifies and analyzes relevant risks to achieve the agency's objectives and determine the appropriate response. The third component is controlling activities, which include policies and procedures established to address risks and achieve the agency's objectives. Internal control activities are responses to risks designed to contain the uncertainty of outcomes that have been identified. The fourth component is information and communication, which refers to practical processes and systems that identify, capture, and report, among other things, operational, financial, non-financial, compliance, and other related information in a form/content and timeframe that enable people to carry out their responsibilities. Lastly, monitoring is the process that assesses the quality of the internal control system's performance over time.

Such objectives and components will be the basis for government agencies to safeguard assets and resources and provide quality financial reports free from misstatements. According to Afiah & Azwari (2016), when the public sector includes quality or reliable financial reports, internal control has a better impact and a significant and positive influence on good governance. Financial reports are the product of financial operations where cash receipts and disbursements are posted and recorded. Those charged with governance are responsible for overseeing the entire financial reporting process to provide accurate financial information, which can be the basis for internal users to make decisions related to financial operations and avoid significant chances of asset loss.

To strengthen the internal control system of the public sector, it needs a legal basis to follow, such as Section 124 of PD No. 1445, which states: "It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control," and Section 1, Chapter 1, Subtitle B, Book V of the Administrative Code of 1987 – all resources of government shall be managed, expended, or utilized in accordance with law and regulations and safeguarded against loss or wastage through illegal or improper disposition to ensure efficiency, economy, and effectiveness in government operations; responsibility for providing such policy is faithfully adhered to rests directly with the chief

or head of the agency concerned. Aside from that, the COA is vested with the responsibility to promulgate auditing rules and regulations to strengthen the accountability of government agencies and enhance the effectiveness and efficiency in managing government transactions. All government agencies are required to adhere to and follow these rules and regulations, especially as they are supported by Article IX-D of the 1987 Constitution.

Additionally, studies around the world show that internal control is a process designed, implemented, and maintained by people charged with governance in providing reasonable assurance to the people for the achievement of objectives such as the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations (Al, Saad, & Bakar, 2016). It is also an assurance for the implementation of policies to safeguard assets, detect errors, and prevent fraud (Jamshedy-Navid, 2010), as well as effective management for ensuring the performance of automatic checks and balances for financial and non-financial transactions (Kumuthinidevi & Gii, 2016) as a basis for decision-making. Internal control helps management to conduct checks and balances, particularly over cash disbursements. This can be done by segregating duties over transactions, where no single person has authority over a transaction. This is why every disbursement transaction requires different signatories, especially in government, to ensure that each signatory is responsible for checking the transaction before affixing their signature. Every department has its function, from preparation to approval, to secure the transaction's legality and accuracy and prevent the abuse of duties and authority (Srinidhi, 1994). Checks and balances include conducting pre-audits to determine if the financial documents are supported by official receipts and other legal documents. This ensures that rules and regulations are observed during disbursements. However, according to Akpomi (2017), normal financial audits are inadequate for detecting and preventing asset losses, while reasonable internal control helps management manage operations effectively and efficiently, with the assurance that assets will be safeguarded.

Since controlling and protecting assets can be illustrated as a wall built from solid or hard materials, it will stand for protection from intruders or someone misusing it. But if it is built with weak materials, the consequence is that it is easy to collapse, even from a slight shake. The possibility that the asset is unprotected, and the cash receipts are not properly recorded, means that the possibility of undetected loss due to fraud and wastage of resources is higher. This then affects the entire operation. However, if internal control is in place, the likelihood of safeguarding the asset is greater, and the accuracy of accounting records will be disclosed in the appropriate place of accountability (Kingdom et al., 2015). Accountability for providing accurate records includes taking responsibility and being ready to answer for the content and the information provided, facing scrutiny, and being responsive when challenged ("Public Sector Accountability through Raising Concerns," 2016).

How does internal control promote effectiveness and efficiency when managing operations? According to Turedi & Celayir (2018), effectiveness refers to being economical in attaining planned costs lower than realized costs, while efficiency refers to achieving goals with proper, timely, and minimal use of resources. Cheng & Kim (2015) also connect the effectiveness of internal control to greater operational efficiency when management reduces the possibility of misappropriating resources and enhances the quality of internal reports for decision-making. The American Institute of Certified Public Accountants

(AICPA) (2014) explained that adequate internal control reduces the risk of asset losses because it is a process that discovers unintentional errors and small mistakes as early as possible, preventing them from becoming significant problems in the future. This is especially important in the government, where assets are involved with large amounts of money, and every centavo should be accounted for. However, it is difficult to account for such amounts if there is no established system, like a computerized system, which helps process financial transactions in a specified timeframe with fewer errors.

Reports show that a lack of internal control can result in fraud and misappropriation of government assets. For example, in the United Kingdom, as The Guardian (2013) reported, 27% of the welfare budget was lost, and 0.07% of overpayments occurred due to fraud. Another case involved the misappropriation of assets in local authorities, such as using official vehicles, computers, and facilities for personal purposes by officials and employees, based on a study conducted by Ab et al. (2014) in Malaysia. Additionally, The Philippine Star (2018) quoted a report from COA, which stated that over 300 LGUs in the Philippines misused P1.8 billion in development funds in 2017. Another COA report emphasized the need for regular monitoring and evaluation by concerned government agencies during the implementation of development projects to ensure that the primary purpose of optimum utilization of the Development Fund is achieved while discouraging the disbursement of government funds without complete documentation.

The disbursement of government funds with complete documentation is essential for recording and preparing financial reports for accurate and full presentation. However, this is difficult to practice, especially when internal control is weak. Based on a study conducted by Saiful et al. (2018), weak internal control can be a major contributor to fraud, and the worst part is that it can be committed through the careful planning of employees. It was revealed that weak internal control leads to poor supervision and documentation processes.

COA presented its audit report on the province for 2018. One of the favorable observations presented by COA is the compliance with COA Circular No. 2012-004, dated November 28, 2012, and COA Circular No. 97-002, dated January 10, 1997, in the liquidation and settlement of cash advances by the province. These cash advances were 100% fully settled within the prescribed period and supported by proper receipts and other evidence of payment.

However, COA's 2018 Annual Audit Report had significant findings and observations. These included excess payments to consignment, the procurement of "cements" being paid in advance, and the fact that nine (9) completed infrastructure projects under the DA and PAMANA Program had not been closed upon liquidation/completion. These transactions affected the fair presentation of the account in the financial statement for the year ended 2018. Additionally, the PGSO still used the traditional system of individual stock cards to receive, keep, release, and record construction materials. According to COA, this conventional system could not reasonably ensure the construction materials were adequately accounted for.

Research Questions

To attain and achieve the purpose of this study. This research is guided by some questions that are seeking answers:

1. How is the control environment implemented in the Provincial Government of Davao del Norte?
2. How does the Provincial Government of Davao del Norte administer the Risk Identification and Assessment?
3. What are the control activities of the province that will respond to the identified risks and other factors affecting the achievement of its objective?
4. How does the Province implement the Information and Communication?
5. What processes are implemented to monitor the quality of the Internal Control System?

Significance of the Study

This is the opportunity to assess whether the internal control practices of the province consist of the control environment, risk assessment, control activities, information and communication, and monitoring for the management of government assets and resources, reporting of financial and non-financial transactions, and influencing the consciousness of its staff to be responsible and accountable for their actions. It will also evaluate whether the established processes and systems are in place to achieve the expected timeframe, assess risks with corresponding actions, and monitor performance over time. This evaluation will determine if these practices require enhancement or provide a basis for formulating an internal control manual to guarantee the institutionalized implementation of internal control across all provincial offices. In this undertaking, the Province of Davao del Norte officials and employees will be the primary beneficiaries of the results, as it will help ensure that all transactions conducted in the province comply with applicable laws and regulations. Additionally, the Dabaonons, who are the beneficiaries of the services and projects implemented by the province, can benefit from this undertaking because it will assure them that the province's assets and resources are protected and adequately utilized. Furthermore, future researchers who wish to cite relevant points while conducting similar research can also benefit from this study. Awareness of the importance of reviewing relevant materials for conducting research will help accomplish the desired topic. Finally, if the results of this thesis are positive, it could indicate to external sources or national financiers that the province is a secure and reliable place to invest.

Theoretical Lens

The theory of governance supports this research. The World Bank defines governance in its publication entitled *Governance and Development* (April 1992) as the exercise of authority, control, management, and power of government, and as the way power is exercised in the management of a country's economic and social resources for development (Lateef, Paul, Gruss, & Rigo, 1992).

Internal control is also a way of exercising authority, power, and control by management, particularly in safeguarding the assets or resources of the government because the economy is affected when the assets or resources are not appropriately managed. Management must have enough power or support from laws and regulations to implement internal control and provide relative assurance to the people by presenting accurate financial reports, which may lead to desired economic development. The Executive and the Officers in Charge will play a crucial role in achieving the objectives of internal control based on the

revised standards promulgated by COA related to operations, reporting of reliable and relevant financial and non-financial transactions, compliance with laws and regulations, and safeguarding assets or resources against loss, misuse, damage due to waste, abuse, mismanagement, errors, fraud, and irregularities. Also, management cannot implement internal control alone; coordination must be obtained from the officers in charge and staff. Every player in government transactions is responsible for protecting the government's assets or resources, and they are accountable for any lapses that occur because effective and accurate financial reports are crucial.

Additionally, Asaduzzaman (2017) mentions governance as the political field and political activity with the vital task of every national government, involving the creation, execution, and implementation of activities backed by the shared goals of citizens and organizations, who may or may not have formal authority or policing power (Rosenau 1992 in Bingham et al. 2005, p. 548). According to Graham et al. (2003), governance is an interaction among structures, processes, and traditions that determine how power and responsibilities are exercised, decisions are made, and how citizens and other stakeholders have a say. Therefore, governance is about power, relationships, and accountability. It addresses questions like who has influence, who makes decisions, and how decision-makers are held accountable. They believe that credibility and legitimizing government can be achieved effectively and efficiently through decentralization and sharing, as well as people's participation, accountability, transparency, and responsiveness (Asaduzzaman, 2017).

Lateef et al. (1992) cited three dimensions of governance from the World Bank: Public Sector Management, Accountability, and the Rule of Law. The authors emphasized that when the capacity of the public sector to manage the economy and deliver public services is weak, the prospects for development are poor. Accountability refers to public officials holding public office responsible for their actions. Financial accountability involves properly functioning government accounting systems for effective expenditure control and cash management. An external audit system reinforces expenditure control by exposing and sanctioning misspending and corruption, with mechanisms to review and act on the results of audits and ensure that follow-up action is taken to remedy identified problems. The rule of law is a broad concept. Some elements of the rule of law are necessary to create a stable setting for economic actors to assess financial opportunities and risks, make capital and labor investments, transact business with each other, and have reasonable assurance or recourse against arbitrary interference or expropriation. This connection between the rule of law and the efficient use of resources and productive investment, which must be understood and dealt with in particular and differentiated cultural and political settings, is crucial for economic development (Lateef et al., 1992).

There are indicators of governance, as mentioned by Rahman (2016), that are practical tools such as Government Effectiveness, which measures perceptions of the quality of public services, the quality of the civil service, and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Control of Corruption measures perceptions of the extent to which public power is exercised for private gain, including petty and grand forms of corruption, and the "capture" of the state by elites and private interests.

This theory will serve as the basis for assessing whether the internal control practices of the Provincial Government of Davao del Norte are implemented effectively when aligned with the components of the revised standard established by COA for government entities. These components include: The Control Environment, which influences the consciousness of its staff to be responsible and accountable for their actions; Risk Assessment, which is the process of identifying and analyzing relevant risks to the achievement of the agency's objectives and determining the appropriate response; Control Activities, which are established to address risks and achieve the agency's objectives; Information and Communication, which includes effective processes and systems that identify, capture, and report operational, financial, non-financial, compliance, and other related information in a form/content and timeframe that enable people to carry out their responsibilities; and Monitoring, which assesses the quality of the internal control system's performance over time.

The government requires a strong stance in safeguarding assets or resources because a simple error could lead to losing millions of dollars if undetected early. A small amount can gradually increase when unnoticed. That is why internal control should be implemented. If the government seeks economic development, it requires strengthening internal control.

Methodology

The design of this study is qualitative research with a case study approach because it seeks answers about the internal control practices of the Province of Davao del Norte. I am conducting interviews with selected individuals who are knowledgeable and able to share ample information about the phenomenon. Their work directly involves internal control practices, and their experiences are more precise for the desired information I need to collect and transcribe. I am using open-ended questions (Remler & Van Ryzin, 2015) to arrive at the emerging themes, which will serve as a basis for interpretation and data analysis.

The study also employs a case study approach because I am not solely relying on the results from the interviews with the informants; I am also collecting data from secondary sources to support the internal control practices of the province, particularly the implementation of the control environment. Moreover, the study is conducted within selected offices of the Province of Davao del Norte, including PBO, PACCO, PTO, PADO, Internal Audit Services Division, PGSO, PAGRO, PENRO, PEO, PHO, and PSWDO. These offices are located within the Government Center, Mankilam, Tagum City.

The most effective tool for selecting key informants is the purposive sampling strategy (Tongco, 2007) because it targets knowledgeable individuals with experience in internal control practices in the province. The Division Head of the Internal Audit Services Division of the Province is selected as one of the key informants due to their experience with the internal audit system of the province. Additionally, administrative officers from four provincial offices—PBO, PACCO, and PTO—and the officer in charge of PADO are chosen as key informants because these offices process financial documents, such as cash receipts and disbursements. The signatories reflected in financial documents come from these offices, which recommend officers for approval. The Assistant PG Department Head of PGSO, assigned to the procurement office, has also been selected.

Furthermore, four administrative officers from frontline services offices, such as PAGRO, PEO, PHO, PSWDO, and the department head of PENRO, have been selected as informants. These offices are responsible for implementing the province's projects and programs, where the funds are distributed. Their direct experience and involvement in the implementation process provide essential data, and their coordination efforts in achieving the internal control practices of the province are crucial. The reason for selecting informants based on purposive criteria is that their involvement and experience make their day-to-day work more precise for collecting reliable data on this topic. Another criterion used is the inclusion criterion, as it focuses on how to protect the assets and resources of the province. The selected informants are responsible for implementing projects and programs that must be monitored.

The Key Informant Interview (KII) technique, with a small number of informants, is employed in this study. This technique allows intensive individual interviews to gather the desired or relevant information while exploring the topic from their perspective. Another technique used is the “Open-Ended Interview Guide Questions” (Remler & Van Ryzin, 2015), encouraging informants to answer based on their knowledge and perspectives. This method allows for the collection of the information needed for the study. Preparing the interview guide and distributing it to the informants can be helpful when conducting the interview, as it ensures that all the questions necessary to gather significant information are asked, allowing for the collection of relevant data.

Result

It is presented in this section about the Internal Control Practices of the Provincial Government of Davao del Norte. The departments or offices selected are categorized based on the functions and services offered. The first category is the internal audit services; the second is the offices where the financial transactions are processed; and the third are the implementer of programs and projects of the Provincial Government of Davao del Norte.

Implementation of Control Environment by the Provincial Government of Davao del Norte.

Compliance with rules, laws, regulations, and standards

The province implements its control environment in managing the collection and daily turnover of revenue and processing of financial claims by following the internal policies, issuances from DBM, and circulars from COA. The standard procedure is to discuss risks and other concerns that will be tackled during meetings. It is also a proper venue to remind everyone to revisit the log frame to know the results of logical flow and the possible risks linked while implementing the programs.

Proper financial reporting

All transactions related to cash should be turned over and reported. Using electronic recording and reporting of approved financial transactions.

Feedback on employees' performance

Four procedures are implemented to hear and respond to feedback within provincial offices. The first is during regular meetings where supervisors raise concerns about the performance of their subordinates to their department head. The second is during staff meetings, where conversations between employees and department heads take place. It is the right venue to talk about what happened before. The third is from

customers' feedback. We accommodate customer feedback, most of which is customer dealings. Fourth is the impact of feedback on the designation of the employees. The performance of employees is assessed based on feedback. They will be transferred if they are not happy with their current task.

Risk identification and assessment administered by the Provincial Government of Davao del Norte as a contribution to the achievement of its goal.

It tackles the province's tool or mechanism to identify and assess risk in every office or department. The procedures used in determining whatever responses can be extended as appropriate for the contribution to achieving provincial goals.

The assessment and identification of risks are not institutionalized.

Some offices have instruments used as tools to identify and assess risks. However, some offices have no proper tool for identifying and assessing risk—a sample of risks that some offices have identified. Like the following, the only risk is when the collector goes offline. At present, it seems that robbers are also high-tech, and they can't do so. Even in our case, informants have a nursery, but it is still not enough, and the probability of it not being PR is high due to the process being too long.

Projection of future risks

The projection of future risks is because it enables them to plan and act. This is to avoid dire circumstances and minimize the possible impact in the future. Devising strategies will help reduce the hindrances and uncertainties in the implementation of projects. Another informant sees the potential risk and plans to address it. However, for the possible risks that are yet to come, we plan out how to address them.

Aligning risk management with internal control

There are four options for aligning risk management. First, verification (MOV) is used as evidence that the program has been conducted and that any agricultural aid has been distributed. Second, revisit the logical framework and understand the logical flow of results. The third is being aware of any possible problem, and the fourth is detecting problems regarding financial procedures.

Control activities of the province in responding to the identified risks affecting the achievement of its objective

After identifying risks, it is time to obtain relevant information about the response extended by the province for whatever risk is encountered. The researcher needs to get such control activities of the province.

Sufficient job orientation among employees

Job orientation among employees is essential; it creates a pen communication line for employees and a place for reminders of accountabilities. If the employees still ignore the effort of constant reminding, it is time to issue a warning. However, management still considers conducting reorientations for employees if necessary. Another informant attested to the benefits of orientation to employees. It helps to build trust among employees through open communication lines. The employees are confident and feel comfortable

during staff meetings. As a result, another 20 were added to the working force, and these 40-plus staff are all well-oriented to the nature of their job.

Strategizing ways for the attainment of the objectives

Strategies have been implemented to achieve the objectives of the province by minimizing the expenses for gasoline and fuel. The guidelines for refueling vehicles and motorcycles will be twice a month, unlike before, when it was done weekly. There are voluminous requests delivered to barangays. One of the strategies implemented by PENRO is the maximization of revenues through the utilization of security forms and control mechanisms in the quarry.

Initiatives to avoid notice of disallowance from COA

The Accountable Officers undertook some initiative to prevent the notice of disallowance from COA. The Accountable Officer would require a Special Power of Attorney (SPA) to claim the transactions if the claimants are not the payees.

Safeguarding government assets and funds

The protocol was created to avoid errors and misuse of government funds. One way to do that is to monitor the appropriation received and the flow of utilization to ensure that the fund has been utilized well. In the RPMS, Regional Project Monitoring and Information Systems, there is a financial aspect of how much appropriation is released for that month. How much has been utilized, and how much has been paid? The informants track that monthly to ensure the fund has been used well. You must align your priorities based on national priorities. That is the ruling when you ask for a budget from funding agencies. Then, the counter-checking of documents for the disbursement of funds and financial claims was implemented to ensure that the completeness of supporting documents and correctness of computation were followed.

The Province Implements Information and Communication Activities

The information and communication are implemented to ensure smooth operations and effective governance. This information and communication focus is not limited to information management. Still, it includes properly handling responsibilities through policies and procedures, generating reports in a prescribed time frame, and defining the guidelines for protecting entire operations from fraud.

Coordinated with other offices and departments

No single office or department can stand alone without help from others. It requires coordination with other offices, mainly if changes in internal procedures or program errors affect the system and operation. There were changes they requested to the office of the governor for the issuance of a memorandum. If there are program glitches, they refer to the IT division to fix them. Usually, especially if there are changes, we request a memo from the office of the Governor.

Submission of reports on time

Checking reports is done individually to avoid errors and late submissions because it affects the whole performance of the division and the entire office. The informant checks that individually. It will reflect on your division if he or she does not provide adequate reports on time.

Information Management Practices

Not all information provided is genuine. We must evaluate the information before it is forwarded to stakeholders because some information is filtered. The informant provided the correct information and

was also assessed. This is what informants call the ‘executive paradox.’ The higher you are in the organization, the more filtered the information. Informants are sending requests to IT to assist us in the program. They are willing to help and advise us to provide a copy of the process flow and the needed templates for the program.

The processes of implementation in terms of monitoring the quality of the Internal Control System

This section is about the processes implemented by the province to monitor the quality of internal control. The use of technologies can help a lot to track the transactions quickly. If it helps to monitor and evaluate the performance of employees easily. If using technology is possible in the detection of fraud. An if the system used helps find applicable preventive measures.

Innovation and use of evolving technologies

Using the electronic system can help speed up the process of receiving transactions. Unlike the manual method, it takes too long to receive. The informant is using a new system now. It is easy to use the system because you do not have to do anything manually and do not have to count too much. Informants confirmed the effectiveness of the system that we are using. The employees are only using Microsoft Excel. Aside from that, we have programs to use, which are FAPC (Fast and Accurate Processing of Claims) and FMS (Financial Management System). These programs aim to issue priority numbers to the processed claims and to process claims through audits quickly. Using FAPC (Fast and Accurate Processing of Claims). The purpose of this is to issue priority numbers to all processed claims. The second use of FMS (Financial Management System) is as a system in processing claims from the start of the transaction to the end (RO-PTO). This built-in system is different because aside from being friendly to users, it provides faster processing, monitoring, and evaluation.

Fraud detection and preventive measures

Before the remittance is accepted through the system, the physical counting of money is required. But if the remittance coming from PhilHealth used a checking instrument, it requires the attachment of snapshots from the bank. Before the informant accepts the remittance in the system, the clients must show the physical money first. The clients should have it physically counted. The informant will not take it unless the money is handed to us so we can count it physically. The informants stated that when they remit checks from PHILHEALTH, they must attach bank snapshots showing the specific amount that PhilHealth remitted.

The measures implemented to prevent the existence of fraud include auditing financial documents. The auditors were required to check everything and advise them to explain clearly before returning to the requisitioning office if documents were lacking to support the claims. Another tool used is a checklist. This is to verify if the collector is present in their area and if there is a collection to be remitted or none. Check everything before returning the documents to the Requisitioning Office (RO), clearly explaining what is missing and what items are required. According to the informant, the employees have a checklist. And then, who is the present collector? It is checked whether there is something to be remitted or none.

The use of performance measuring tools for employees

The IPCR (Individual Performance and Commitment Review) is a tool used to measure employees' performances. It should be taken seriously and discussed during regular meetings. The regular meeting will be the right venue to discuss accountability and the progress of individual commitment. There is a

need to talk about the IPCR. So, it must be reinforced by regular staff meetings. In the regular staff meeting, you can account for their progress regarding their commitments.

Individual monitoring

According to the informant, the assigned auditor in their office will conduct an audit of the performance of the employees. It monitors individual performance to see if they have performed their duties according to their function or designation. The department heads should constantly monitor the performance of their employees because they are accountable to the higher-ups. It is reflected in the scorecard. The informant was responsible to the higher-ups, which will reflect on my scorecard. That is why the informant always follows up on those things. And then, informants' colleagues have other control mechanisms for individual performance.

Discussion

The Implementation of Control Environment by the Provincial Government of Davao del Norte COA circular number 2018-003, dated November 21, 2018, defined control environment as setting the tone of an agency, influencing the consciousness of its staff, and providing discipline and structures. Such a definition becomes the basis for formulating questions that support the idea of setting the agency's tone, influencing its staff's consciousness, and providing discipline and structures to get all relevant data on how department heads implement the control environment in their respective offices. Because the study of Ibnu (2009) supports the effectiveness of implementation, it is determined by the control environment in which it is manifested through leadership.

Based on secondary data collected, the structures of the province that served as the control environment in safeguarding the province's assets and resources are the PADO, PGSO, PBO, PACCO, and PTO. These selected offices have different functions to ensure the segregation of duties and responsibilities in processing financial transactions and collections of revenues to avoid manipulation. The Provincial Administrator's Office (PADO) implements checks and balances on the financial obligation and manpower of the province because the control of the budget and all the information like communication and financials comes from this office. This office scrutinized all the approved documents because of the responsibility of assisting in the approval and signing of personal claims and other financial records of the office of the governor.

The Provincial General Services Office (PGSO) is responsible for all the province's properties and assets. That is why they deploy security guards and CCTV cameras and conduct physical inventories yearly in all provincial offices. Also, this office prepared and posted the Price Quotation Form, Notice of Award, Purchase Order, and Invitation to Bid in PhilGEPS and the agency website; and distributed the Price Quotation Forms to various bonafide suppliers, served the Notice of Awards and Purchase Orders to winning suppliers and post Invitation to Bid to any conspicuous places. However, this office still uses the traditional individual stock card system to receive, keep, release, and record construction materials. This kind of system won't guarantee the proper recording of construction materials. According to the COA, it could not provide reasonable assurance that it was correctly accounted for.

Then, the Provincial Budget Office (PBO) is also assigned to check and evaluate the financial documents for obligation, ensuring accuracy and conformity with the approved provincial budget, as well as Obligation Requests for payroll, vouchers, and Purchase Orders under the General Fund and Special Education Fund. This office is also responsible for encoding and validating the status of obligations in the OBRs and signing the OBRs. Governed by DILG and DBM, this office assists the Sangguniang in allocating budgets for municipalities. It conducts reviews to ensure there is no misuse of funds in the allocation of the annual budget and that the budget is by the memorandums and circulars issued by DBM and DILG.

The Provincial Accountant's Office (PACCO) is responsible for preparing and submitting financial statements to the governor and the concerned Sangguniang and certifying the allocated budget for expenditures and obligations to be charged appropriately. This office is also responsible for checking, scrutinizing, and reviewing the vouchers and payrolls to ensure the completeness of supporting documents and verifying the correctness of the withholding tax computation due for suppliers and employees. The Provincial Treasurer's Office (PTO) is responsible for taking custody of and exercising proper management over the funds of the local government unit. Based on the interview with the selected offices accountable for the implementation of programs and projects, as well as the offices responsible for processing financial claims and procurements, these offices have implemented control mechanisms in their respective areas, as outlined below:

Expectation for job accountabilities and competencies

One of the responsibilities of the PG Department Head in every office is to oversee the performance of their workforce. However, not all employees have the same attitude toward their assigned job, so setting clear expectations and reminding them of their accountabilities and competencies is the best option. While it is impossible to prevent someone from committing impropriety, as they will find a way to do so, the Department Head or any supervisor has the capacity and authority to remind the employee of their responsibilities. It is understood that management plays a significant role in shaping the mindset of employees, guiding them to observe their accountabilities even if they are not initially inclined to do so. Once employees hold a government position, they are accountable to the agency and the people. As Naurin (2006) suggests, accountability is primarily a function of publicity, meaning that publicity is a mechanism linking transparency and accountability. Khotami (2017) further adds that government decision-makers are accountable to the public and the relevant agencies. Therefore, accountability can be reflected in performance, as emphasized in the study by GKToday (2019).

Employee competencies are essential because they are compensated with salaries funded by government resources. Since government funds are scarce, they must be used judiciously and wisely. But how can government funds be used judiciously? This can be achieved by implementing projects that focus on improving efficiency and effectiveness. Improving efficiency and effectiveness depends on the competence of the employees performing the tasks. Enhancing employees' competencies, including them in decision-making processes, and encouraging them to attend learning interventions are beneficial.

This is supported by Maher (2017), who states that job competencies have long been used to focus employees' behavior on what is valuable to organizations and drive success. Additionally, Op de Beeck & Hondeghem (2010) note that competency management has proven to be an effective way of: (i) defining the abilities and behaviors needed for employees to perform their jobs well, and (ii) linking several key human resource management activities to ensure that the organization is staffed with competent people who perform effectively.

Compliance with rules, laws, regulations, and standards

Compliance with rules, laws, regulations, and standards is crucial in managing financial operations. The offices involved in processing financial transactions in the province adhere to internal policies, COA circulars, and DBM issuances in managing collections, daily turnover, financial claims processing, and preparing financial reports. In the Philippines, various agencies and departments are mandated to oversee and establish rules, laws, regulations, and standards for preparing and approving financial reporting. One such agency is the Commission on Audit (COA). The COA is mandated to conduct audits on the general accounts of the government and is authorized to promulgate accounting rules and regulations. Additionally, the COA has the power, authority, and duty to examine, audit, and settle all accounts, including revenue and receipts, as well as expenditures or the use of funds and property owned

or held in trust by, or about, the government, or any of its subdivisions, agencies, or instrumentalities. This also includes government-owned or controlled corporations with original charters and, on a post-audit basis, (a) constitutional bodies, commissions, and offices granted fiscal autonomy under the Constitution; (b) autonomous state colleges and universities; (c) other government-owned or controlled corporations and their subsidiaries; and (d) nongovernmental entities receiving subsidies or equity, directly or indirectly, from or through the government, which are required by law or the granting institution to undergo such audits as a condition of subsidy or equity. However, when the internal control systems of the audited agencies are inadequate, the Commission may adopt necessary measures, including temporary or special pre-audits, to address the deficiencies. The second agency is the Department of Budget and Management (DBM), which is responsible for designing, preparing, and approving the accounting systems of government agencies. This agency also coordinates and implements the annual budget process and manages the procedure for cash disbursements for all government agencies. Additionally, the DBM monitors the cash disbursements of government agencies to ensure compliance with their appropriations.

Proper financial reporting

The System (eNGAS) is used to prepare financial reports. These financial reports are based on the standards for government accounting, specifically the Philippine Public Sector Accounting Standards. The processes involved comply with COA rules and regulations. The purpose of these financial statements is to report the financial condition and operations of the province as reliably and accurately as possible, free from misstatements. According to the International Accounting Standards Board (IASB), the objective of financial reporting is “to provide information about the financial position, performance, and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions.” Wise decisions for economic purposes can be achieved if the financial statements presented are credible and accurate. According to EduPristine (2017), this promotes healthy competition and facilitates capital inflows for future economic enterprises. Ellwood & Newbury (2006) support that proper financial reporting improves the credibility and integrity of public finances, contributing to more effective management of public resources. The province submits its financial statements to COA and other concerned agencies every year. These financial statements are part of the financial management efforts to achieve good public governance, providing tangible benefits such as efficiency, effectiveness, transparency, and accountability (Noor, 2014).

The reliability of the financial statement is evident from the results of the control measures implemented in day-to-day operations. For example, daily turnover and physical inventory conduct are essential. The practices implemented for the daily cash turnover are correctly reported each day. The amount reflected on the official receipt should match the exact amount of cash remittance. This process helps avoid the misuse of government funds for personal purposes. Conducting physical inventory annually is essential to ensure that all properties acquired by the province remain intact. Even without additional pay or allowances, the assigned employees must conduct the physical inventory because it is necessary and stipulated in COA rules and regulations. Furthermore, the obligation to perform annual physical inventory is part of the Individual Performance and Commitment Review (IPCR) target. According to Chandren, Nadarajan, & Abdullah (2016), physical inventory must align with the actual balance and book balance because it guarantees reliability when presenting the results of financial performance and position.

Feedback on employees' performance

Feedback is used as a tool for advice and to improve organizational behavior, skills, or performance (Sen, 2017). Donna Morris from Adobe introduced a check-in process in 2012. One of Adobe's approaches to check-ins is feedback (Hinds, Sutton, & Rao, 2014). This process emphasizes providing

and receiving ongoing feedback. Through this system, managers and employees' benefit, as feedback can be given at any time of the year, with the added advantage of real-time communication. In the Provincial Government of Davao del Norte, there are several ways to gather feedback on employee performance, such as during regular staff meetings and customer feedback. The feedback on employee performance is relayed to divisions and department heads during staff meetings. These meetings provide an opportunity to talk with employees about past events and their accomplishments. Most feedback focuses on how employees interact with clients, particularly in the Cash Disbursement Division. In response, the head of the office addresses the matter by calling the attention of the involved individual to resolve the issue. If the department head recognizes that an employee is unhappy with their assigned job, they can transfer the employee to another area where they may be more productive.

Risk identification and assessment administered by the Provincial Government of Davao del Norte as a contribution to the achievement of its goals.

Study shows a higher probability of failure if appropriate tools and techniques for identifying risks are not carefully employed. It can cause inadequacy in the whole process, critically affecting the organizations' resources (Rostami, 2016). According to Siadat (2018), if risks are identified early, taking suitable measures and being proactive can reduce the potential risk. It is understood that risk management adaptation can reduce the potential risk.

The assessment and identification of risk are not institutionalized.

Some offices have their own methods for assessing and identifying risks, but others struggle because they lack the tools to use them. Even when they attempt to evaluate and identify risks, they cannot do so effectively due to the absence of the necessary tools. "How can we identify the risks?" is a question many employees ask when no instrument is available during the risk identification process. Sometimes, actions are taken based on incidents from other organizations that affect internal control, such as preventive measures to avoid similar incidents. For example, one informant from another municipality shared an incident where the report was submitted to the system without the accompanying funds.

What is the advantage of having a tool or instrument to identify or assess risks? According to Norris (2017), once you are familiar with the critical risk factors, you can address them with a multi-pronged strategy to mitigate the identified risks. He added that managing risk successfully starts with a strong governance and administration program. The advantage of using a distinct tool to identify risks is that all the data collected can be analyzed and serve as the foundation for identifying risks. The identified risks would become a vital source for risk analysis or assessment, providing a precise survey to identify future risks. The risk analysis of a project is an effective way of ensuring that the strategies used to control potential risks are profitable. Risk management analysis aims to identify and estimate potential threats and then choose the appropriate methods to reduce or eliminate hazards (McNeil, Frey, Embrechts, 2005).

Projection of future risks

Although identifying risks is challenging for some offices due to a lack of tools or instruments, it does not mean that risks cannot be identified during day-to-day operations. However, the identification process still has limitations. Even estimating potential future risks can be restricted. Most of the risks identified are related to problem cases. This means that any hindrances or uncertainties arising during project implementation are identified because problems have occurred. This is the time to find strategies to mitigate or establish preventive measures to avoid them in future projects. One informant shared the following scenario: "If you have already identified the hindrances or uncertainties in project implementation, you can examine them and devise a strategy to minimize or avoid them."

According to Batson (2009), risk identification is often the neglected first step in risk management. Potential problems specific to the project must be identified before quantifying the magnitude of the risk or considering prevention or mitigation actions. He added that once a risk element is identified and its threat to project success is assessed, options are developed to reduce the risk to the organization's acceptable levels. Some studies suggest that risk identification is crucial, especially in achieving efficient execution of risk management in a project. Incorrect identification of risks can directly lead to project failure, as it is difficult to manage something poorly understood (Worrell, Di Gangi & Bush, 2013). Higher executives are responsible for promoting actions that ensure comprehensive risk identification. Contessoto et al. (2016) also stated that their work aims to promote the integrated use of support techniques to identify risks efficiently and safely, considering activities essential for successfully managing the opportunities and threats in a project.

Severin et al. (2010) stated that project success significantly depends on the ability to predict specific outcomes. Since risks are the unpredictable elements of a project, the project team needs to control them as much as possible and make them as predictable as possible. One way to do this is to plan and take action before potential risks emerge. To avoid adverse circumstances, they have transferred the money vault to the main vault as a preventive measure.

Aligning risk management with internal control

It is necessary to align risk management with internal control to achieve internal control objectives. You cannot claim that operations are practical and efficient unless solutions are provided for identified risks. There is a connection between the two elements. According to Avio's Company (2017), the Internal Control and Risk Management System (ICRMS) is an essential component of corporate governance. It plays a fundamental role in identifying, measuring, managing, and monitoring significant risks, aligning them with the company's strategic objectives, and creating medium- and long-term value.

While striving to achieve these objectives, we may encounter various risks that could hinder us from achieving our goals. However, if we have the tools to identify these risks early, we can find ways to mitigate them.

The offices in the province use different methods to align risk management with internal control. One method is using the Means of Verification (MOV). This document is used to verify if a program has been conducted and if the aid has been properly distributed to all beneficiaries. Another method used is revisiting the logical framework. This approach helps to understand the logical flow of results, consisting of goals, outcomes, outputs, and inputs. Revisiting these can identify risks if the logical flow is well understood.

Another important consideration is being aware of potential outcomes, particularly in financial matters. It is known that the program system used for financial matters lacks preventive measures, and no audits have been conducted. The significant risk here is the potential for manipulation within the system. If the issue is not addressed early, it could damage the province's financial system. Another concern for financial matters is the processing of financial documents. Due to long processing times, the allocated funds from the 20% development fund may not be spent according to their intended purpose.

Li & Nadeem (2010) emphasize the role and importance of the internal control system in sound risk management practices, particularly in terms of management structure and reporting systems, as well as the general principles of corporate governance and risk management. Their analysis leads to several conclusions. First, the strategies related to management structure and reporting systems were implemented after a company crisis to improve control and reporting. Additionally, the role of

information technology in risk management is considered. Li & Nadeem also noted that internal control plays a significant role in a company's central nervous system. It ensures the accuracy of financial and operational information and the safety and completeness of the company's assets.

Control activities of the province in responding to the identified risks affecting the achievement of its objective

The measures were implemented in response to the risks identified by the offices involved in processing financial transactions and those involved in implementing programs and projects for the province. While some offices cannot identify risks due to the lack of tools for assessment, they are still willing to share the basic processes they have implemented in response to these risks. The control activities implemented are based on the basic rules, internal policies, and guidelines from the relevant national agencies that oversee the operations of local government units. Additionally, on-the-spot supplemental questions were asked. Through these efforts, we gathered several major themes supporting the control activities implemented in response to the identified risks, ultimately affecting the province's objectives.

Sufficient job orientation among employees

Training and communication are essential factors in organizational efforts to improve quality (Goodden, 2001). Research by Akdere & Schmidt (2008) shows that employers benefit from new employee orientations, as they receive well-trained, highly motivated new employees as quickly as possible (Robinson, 1998). According to Alberta (2012), without orientation and training, many issues can arise, leading to risky and negative impacts on the company and the new employee. That is why, if a new employee is left to "sink or swim," the outcome, according to Brown (n.d.), will bring confusion and result in unproductivity. Job orientations and staff meetings are relevant for job development. They provide an opportunity to remind employees of their accountabilities. Constant reminders and warnings effectively make them responsible and accountable for their actions. It was found that reorientation for the sake of employees' welfare is helpful. The trust subordinates build with their department heads depends on the communication lines established within each office. Employees can feel comfortable and confident in performing their jobs through these communication channels. This was also evident during staff meetings. Once employees are well-oriented about the nature of their work, it fosters good rapport and a positive impact. As a result, new employees were added to the workforce due to the trust gained from the governor.

Strategizing ways for the attainment of the objectives

Setting up strategies is the best way to achieve objectives. According to the informant, the effectiveness of the strategy implemented through geotagging in every location and the areas of the recipients included in the project implementation is evident. The advantage of geotagging is that it is easy to monitor and validate, compared to the previous monitoring method, which involved capturing pictures alone. The captured photos do not guarantee that the location of the projects is accurate, and unintentional manipulation of the area is possible. Goal setting and strategy are crucial elements that can be combined to achieve the desired objectives more efficiently. For example, to maximize revenue collection, you can set goals and targets and then use a strategy to reach them, such as obtaining the desired revenue. One such strategy was implemented by the Provincial Environment and Natural Resources Office (PENRO). This office produced security forms and implemented a control mechanism to secure the collection of taxes from quarry operations. As a result, the tax collection reached over 30 million pesos, compared to just over 6 million pesos before the strategy was implemented. This shows the difference between strategy and traditional methods in achieving goals. According to Cothran et al. (2015), a conscious effort focused on well-defined goals within an organization is widely recognized to positively affect both workers and organizational performance, as evidenced by widely published

research in management theory. Goal setting is a fundamental tool organizations use to achieve short-term, intermediate-term, and long-term goals related to developing services, improving quality, reducing errors, and building better customer relationships. The same procedures can be applied to minimizing expenses, such as fuel, gasoline, and lubricants, within the PGSO.

Initiatives to avoid notice of disallowance from COA

The employees in the government have initiated working hand in hand to avoid receiving notices of disallowance from the Commission on Audit (COA). Such notices can majorly impact an individual's performance and credibility, especially for Accountable Officers and the agency to which they belong. If COA disallows transactions or liquidation reports regarding the amount spent on projects or programs, the accountable officers granted cash advances must refund the amount paid. If the employee is found guilty, the possible consequences could be discharge from work or even facing a court trial. This is a serious matter that requires extra caution.

According to the manual promulgated by COA under Circular No. 2002-002, Section 1 (Legal Basis), the Commission on Audit has exclusive authority, subject to the limitations in this Article, to define the scope of its audit and examination, establish the necessary techniques and methods, and promulgate accounting and auditing rules and regulations. These include rules for preventing and disallowing irregular, unnecessary, excessive, extravagant, or unconscionable expenditures and improper use of government funds and properties.

For this reason, the Provincial Accountant's Office (PACCO) has issued tracers to Accountable Officers who have been granted petty cash, travel cash advances, and exceptional cash advances to prevent disallowances from happening again. Part of PACCO's function is to conduct pre-audits for all types of financial transactions before the documents are approved and paid. This ensures the processed documents have all the required attachments in the checklist. Program and project implementers in the province ensure that the necessary attachments for liquidation and replenishment are intact before submission for processing. According to COA's 2018 Annual Audit Report, the province achieved 100% liquidation of cash advances with complete supporting documents.

The province, particularly the Cash Division, strictly implements a conservative approach to disbursing money to the payee. This prevents money from being disbursed to claimants who are not the actual payees. One way to ensure this is by requiring a Special Power of Attorney to validate the transaction. Since COA's circular requires the assigned officials to submit the necessary documents as enumerated in Section 13, along with additional documents like a Special Power of Attorney from the person who received the check, as well as birth, marriage, and death certificates to confirm valid heirs, these requirements are essential in ensuring proper validation.

Safeguarding government assets and funds

The Security and Exchange Commission defined safeguarding of government assets as those policies and procedures that "provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements." In its simplest form, citizens practice internal control in their daily routine. According to Gramling (1998), the objective is to protect your assets from undesired access, and the technique is to secure your assets using physical locks.

According to the National Guidelines on the Internal Control System (2012), safeguarding assets requires the responsible stewardship of public resources, which means that “all moneys and property officially received by a public officer in any capacity or on any occasion must be accounted for as government funds and government property.” Government property should be recorded at acquisition cost or an appraised value in the agency's books. Safeguarding assets in the public sector involves the judicious use of government funds, facilities, documents, records, and human resources in delivering public services. Proper documentation and recording are essential controls that eliminate the vulnerability of assets to misuse, loss, destruction, and other hazards. The appropriate procurement and use of the Philippine Government Electronic Procurement System (PHILGEPS) increases the likelihood of obtaining quality goods and services at the least cost, in a timely and transparent manner. Policies and procedures within an agency should also be designed to prevent or detect the loss of assets and records on a timely basis.

Section 3, Chapter 2, Book VI of the Administrative Code provides that “the budget shall be supportive of and consistent with the socio-economic development plan and shall be oriented towards the achievement of explicit objectives and expected results, to ensure that funds are utilized, and operations are conducted effectively, economically, and efficiently.” Expected results refer to the service, product, or benefit that will accrue to the public, estimated in terms of performance measures or targets. Section 40, Chapter 6, Subtitle B, Book V of the same Code defines “government accounting” as analyzing, recording, classifying, summarizing, and communicating all transactions involving the receipt and disposition of government funds and property, and interpreting the results thereof.

The protocol was created to avoid errors and misuse of government funds. Strict monitoring of the appropriations received, and the utilization flow ensures that the funds are used appropriately. Additionally, it follows the ruling of aligning priorities with national priorities when obtaining funds or a budget from the national government or any funding agency. The implementation of counter-checking is strictly observed on documents intended for the disbursement of funds and financial claims to ensure that the completeness of supporting documents and the correctness of computations are followed. The effect on the financial statements. In its simplest form, internal control is practiced by citizens in their daily routines. According to Gramling (1998), the objective is to protect your assets against undesired access, and your technique is to secure your assets with physical locks.

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Major Themes and Core Ideas on how the province implements the Information and Communication activities

The purpose of these is not only limited to the dissemination of activities to ensure services are extended to the people but it includes the proper handling of responsibilities by policies and procedures, coordination with other offices and departments, generates the report in a prescribed time frame, and the procedures of protecting the entire operations from the existence of fraud.

Coordination with Other Offices and Departments

Even though the offices or departments within a province have distinct functions, effective coordination is essential to implement provincial projects and programs. For example, frontline offices often rely on support functions to process and record financial transactions. The deliberate segregation of duties has been implemented to strengthen each office’s responsibility, ensuring operations align with their mandates. According to the Administrative Conference of the United States (2012), improving coordination can enhance efficiency, effectiveness, and accountability, helping to overcome potential dysfunctions created by shared regulatory spaces. Greater coordination can reduce costs for government and regulated entities by preventing duplication of functions and fostering reconciliation of differences in approach. Alaloul, Liew, & Zawawi (2016) also highlight that coordination factors are vital for successful project implementation, leading to better management and improved performance.

A lack of coordination can lead to transaction delays. For instance, an employee hoarding reports or refusing to share information could delay the process. Reports should be shared transparently, provided they don't contain confidential or classified information. Thus, every office needs its process flow that connects with other divisions’ workloads. This is why changes in the workflow often require a memo issued by the Office of the Governor for proper implementation. Another challenge affecting the processing of financial transactions is technical glitches. These are immediately reported and addressed with the IT Division to find solutions.

When implementing projects or programs, responsible offices must coordinate with municipalities. For example, PAGRO (Provincial Agriculture and Fishery Office) frequently seeks feedback from municipal partners like the Municipal Agriculturist Office. This feedback ensures the relevance and efficiency of projects for local government units (LGUs). Before implementing a project, PAGRO personnel assess if the LGU is well-coordinated for successful implementation. During ALDAD meetings, Municipal and City Agriculturists and provincial representatives discuss project terms and conditions, ensuring alignment with the counterpart LGUs.

Submission of Reports on Time

The primary role of financial reporting is to transfer financial data to external stakeholders in a valid and timely manner, providing data to assess economic agencies' function and profitability (Eivani, Nazari, and Emami, 2012). According to the Wales Audit Office (n.d.), timely financial reporting is about speed

and revising accounting and reporting procedures to meet deadlines. Timely financial reporting is crucial for decision-making by staff who rely on up-to-date information.

The Governmental Accounting Standards Board (2011) emphasizes the importance of timeliness as one of the key characteristics for effective financial reporting. The Provincial Government of Davao del Norte submits its financial reports to the Commission on Audit (COA) by the 20th day of the following month. Economic data can be easily generated through an integrated system, ensuring timely reporting. For example, when the governor asks about the province's collection for a given month, the relevant report must be submitted promptly. Employees are held accountable for submitting timely reports; delays can reflect poorly on the division or the office head.

Information Management Practices

Standard procedures are adopted upon receiving reports or information from staff to evaluate and validate the data for reliability. Known as the "executive paradox," the higher one is in an organization, the more filtered the information becomes. General (2001) links information management and governance, suggesting that information management is a means through which organizations utilize their information resources to their full potential (Trimbee, 2013). Information management aims to provide the correct information to the right people at the right time. The Argyll Bute Council (2018) defines an information strategy as a method by which an organization governs, plans, collects, and disseminates its information to ensure its value is fully utilized. Consequently, many offices in the province aim to improve information-sharing practices, often collaborating with the IT Division to create systems that support efficient information dissemination.

Implementation of Monitoring for Internal Control Quality

Several procedures have been implemented to monitor the quality of the internal control system. First, adopting new technologies aids in improving output, fraud detection, and preventive measures. Second, establishing performance measurement tools for employees, followed by individual monitoring, helps assess employee performance. The province created the Internal Audit Services Division (IASD) through Provincial Ordinance No. 2017-005, which focuses on auditing provincial offices by the Philippine Government Internal Audit Manual (PGIAM).

Innovation and Use of Evolving Technologies

Modernizing technology is essential to assess the quality of internal control systems effectively. According to Sorrentino (2004), the advent of electronic government (e-government) has revolutionized the public sector. As Hartley et al. (2013) described, collaborative innovation involves an iterative process to define problems, develop new ideas, and implement new solutions. Technology has a significant role in improving public service delivery, helping to create a more efficient administrative process. For example, the Provincial Accountant's Office uses in-house electronic systems such as FAPC (Fast and Accurate Processing of Claims) and FMS (Financial Management System) to expedite financial transactions. These systems have impressed other regional LGUs, who still rely on essential tools like Microsoft Excel (Jones & Bartlett Learning, 2011).

Fraud Detection and Preventive Measures

Effective fraud detection and prevention are vital to avoid damaging the organization (Ghazali et al., 2014). In the province, offices handling collection and disbursement transactions have measures to prevent fraud. For example, remittance collections are physically counted before posting in the system, and hospitals must submit supporting documentation for PhilHealth checks. Auditors also check supporting documents for completeness and correctness before approving disbursements. If

discrepancies are found, the requisition office is informed and required to resubmit the necessary documents.

Use of Performance Measuring Tools

The most challenging aspect of performance appraisal is accurately measuring employee performance (Bond & Fox, 2007). The province uses the Strategic Performance Management System to assess individual employee performance. The Individual Performance and Commitment Review (IPCR) is used to evaluate the monthly output of employees. If employees exceed targets by 130%, they earn the highest rating. This system encourages employees to meet or exceed their goals promptly and efficiently. Additionally, the Office Performance and Commitment Review (OPCR) measures the performance of the office.

Individual Monitoring

Some offices in the province have implemented individual monitoring to ensure that employees follow procedures and perform their tasks correctly. LaMarco (2019) highlights several advantages to employee monitoring, including identifying mistakes, improving employee-employer relationships, and increasing efficiency. However, a study by Bernstrøm & Svare (2017) shows that excessive monitoring may decrease employees' intrinsic motivation if they feel less trusted. Therefore, monitoring practices must balance trust and accountability.

Suggestions for Improving Internal Control

Local governments face the challenge of providing services with limited resources. A sound internal control system is necessary to meet responsibilities and prevent fraud, waste, and abuse (Hancox, n.d.). Internal controls help local governments achieve their objectives and safeguard assets. The COA's 2018 Annual Audit Report recommended updating the Stock Cards system at PGSO to improve accountability for construction materials. Additionally, informants suggest creating an automated tracking system for procurement transactions and a digital system for storing records.

Implication for Practice

This research highlights the internal control practices in the Provincial Government of Davao del Norte, emphasizing the importance of safeguarding government resources and ensuring their proper use. The documentation of these practices serves as a foundation for creating an internal control manual, which aligns with various legal frameworks, such as the Administrative Code of 1987, AO 119 (1989), and PD 1445. These regulations underscore the responsibilities of government agencies, including local government units (LGUs), to manage fiscal operations, ensure accountability, and mitigate risks of resource mismanagement.

The research also demonstrates the crucial role of internal control systems in enhancing transparency, efficiency, and effectiveness in government operations. The Department of Budget and Management (DBM) supports this by pointing out the benefits of robust internal control, which include improved accountability, better governance, effective response to citizens' needs, and enhanced quality of government outputs. By adopting sound internal control practices, the Provincial Government can foster trust and ensure its resources are efficiently and ethically managed.

Implication for Future Research

The findings from this research offer a solid foundation for developing an internal control manual, which can serve as a guide for other government agencies, especially LGUs, looking to implement or

strengthen their internal control systems. The gaps identified in the study provide avenues for future research, particularly concerning the practical implications of implementing internal control systems across different levels of government. Future studies could explore specific challenges LGUs face when enforcing internal controls, such as resource constraints, technological challenges, or resistance to change.

Additionally, research can further investigate the impact of technological innovations in internal control systems, particularly how automation, data-sharing platforms, and real-time monitoring tools can enhance efficiency and reduce fraud in government operations. As these technologies evolve, examining their effectiveness and potential limitations in the public sector is essential.

This research can also serve as a valuable reference for other local governments aiming to establish or refine their internal control systems. By reviewing the findings, these entities can better understand the potential risks associated with the lack of internal control measures and learn from the practices of the Provincial Government of Davao del Norte. Furthermore, the insights gained could inform policy-making, strengthen governance, and enhance the protection and utilization of government assets and resources.

Concluding Remarks

The researcher knows this research is a very sensitive topic because it tackles the internal control practices of the province. Understandably, people express concern when they hear about internal control because it is connected to watchdog-like behavior, which is sensitive towards issues of misuse of funds, fraud, or corruption. However, when you thoroughly examine the results of this thesis, you can appreciate how the province's practices safeguard assets and resources, submit financial reports on time, and follow the laws, circulars from concerned agencies, and the rules and regulations of the province related to internal control. Even though the internal control manual is lacking in the province, the results of this research can give us the confidence to trust and feel satisfied with the efforts of the officers and employees of the province who work diligently to provide better service and ensure the smooth operation of both financial and non-financial transactions. This implies that governance is still the province's top priority.

However, it is highly recommended in this thesis that an internal control manual be created or formulated to establish a proper control environment, risk assessment, control activities, information and communication, and internal control monitoring at any time. This would help the officers and employees have a guide on how to build and establish stronger accountability to the government and the people, make operations more economical, efficient, and practical, improve the ability to address risks and achieve general control objectives, create better systems for responding to risks to provide better services, be committed to delivering better quality performance and outcomes, and maintain effective governance.

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