
Influence of Internal Audit Control and Integrity System as Predictors towards a Strong Good Governance

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Abstract: *This study aimed to determine if internal audit control and integrity system were predictors of good governance. 325 teaching personnel of the Department of Education, Division of Tagum City were the respondents of this research. The statistical tools used were Mean, Pearson-r, and Regression Analysis. Quantitative non-experimental research utilizing correlational technique with regression analysis was the research design of this paper. Results revealed that the level of internal auditing in terms of risk management, internal control, and compliance and consulting was very high. The level of integrity system obtained a descriptive equivalent of very high in terms of strategic alliance, strategic planning, and fraud control. For the level of good governance, it obtained a very high level of results in terms of rule of law, responsiveness, transparency, and vision and mission. There was a positive significant relationship between internal audit control and integrity system to good governance. Overall, the two independent variables are predictors of good governance.*

Keywords: *Master in Public Administration, Internal Audit Control, Integrity System, Good Governance, Philippines.*

1. INTRODUCTION

Good governance is critical both as an objective and as a means of achieving economic and organizational growth and development. However, corrupt bureaucrats and politicians in poorly governed countries impede progress by diverting aid and mismanaging resources. Weak institutions and inefficient bureaucracies prevent governments from pursuing pro-growth and pro-poor policies, making good governance a crucial factor in reducing poverty and promoting development. Despite its importance in International Development policy, the



definition of governance, particularly good governance, remains vague in many debates. Additionally, the government must prioritize community interests, simplify community affairs, shorten implementation time, and meet community satisfaction when providing community services. Unfortunately, there has been no clear focus on improving efficacy and quality in public service establishments, especially by the government, which has a monopoly on them. Furthermore, good governance is essential for organizations' effectiveness, from corporate to multinational to national or local. Governance encompasses decision-making and implementation, making it crucial for the people an organization serves. As a primary actor in governance, the government affects other actors in its domain, and positive community responses to good governance inspire hope for fair, open, and accountable government. Factors of good governance also impact public security quality, emphasizing the importance of analyzing institutions' fitness and effectiveness for good governance [1-2].

Effective school governance requires accountability, internal control, responsiveness, transparency, public engagement, economy, efficiency, and integrity, as per the principles of good governance. The internal audit function plays a significant role in improving financial management and performance, enhancing risk management, detecting fraud and irregularities, improving compliance, and providing consulting services. A strong integrity system is necessary for promoting good governance and ethical behavior, while anti-corruption strategies should prioritize moral values, fairness, and ethics. The rule of law indicators and responsiveness dominate good governance, ensuring fair and unbiased law enforcement and responsiveness to shareholder concerns. Integrity and audit substantially impact good governance indices [3-6].

Poor governance still exists at the elementary level in Tagum City Division despite the school administrators' awareness of their duties and responsibilities. The collaborative responsibility of the Administrative Officer, Administrative Assistant, and Principal to ensure the quality assurance of funds management, particularly in the MOOE, is essential. However, some school administrators violate MOOE guidelines and suffer administrative consequences. The integrity system is crucial to school governance, as some administrators abuse their power and corrupt essential documents for personal gain, compromising the continuous delivery of educational services. Thus, the study sought to raise the awareness of the beneficiaries with regards to the importance of internal audit control and integrity system towards a strong good governance in the Department of Education in the locality of Tagum City.

2. METHODOLOGY

The method used for this study is a quantitative non-experimental research design technique. This study will utilize descriptive analysis to examine one or more variables, while the correlational analysis architecture will be employed to investigate the relationship between two variables without intervention, aiming to find a positive, negative, or zero correlation, which will indicate whether the factors are changing in the same or opposite directions or if there is no connection between them. The adopted and modified survey questionnaire served as the primary source of data collection in this study.

A total of 325 teaching staff with at least one year of service were respondents who participated in the conduct of the study. In relation to the number of identified participants,



the sample will have a corresponding level of significance. If the sample was only 50 then it was viewed to be very poor on the other hand, having a sample of 300 was viewed as good. Thus, the researchers decided to have 325 individuals to participate in the research. This was also the practice for some studies that used a comparable number for their sample [7-9]. From the 325-teaching staff, these included Teacher I-III, SPET I-III, SST, and MT I-III. To ensure consistency, the researcher excluded teachers in medium and small schools, Alternative Learning System Teachers, Mobile Teachers, Principals, Head Teachers, and Non-Teaching Staff.

3. RESULTS AND FINDINGS

The mean scores for internal audit control with an overall mean of 4.405 described as very high with a standard deviation of 0.524 were presented in Table 1. This implies that the level of internal audit control is very much observed. The very high level could be attributed to the very high rating given by the respondents in all indicators in terms of risk management, internal control, and compliance and consulting. The cited total mean score was the outcome acquired from the subsequent computed mean scores from the highest to lowest indicators: 4.455 or very high for compliance and consulting; 4.397 or very high for internal control; and 4.364 or very high for risk management.

Table 1. Level of Internal Audit Control

| Indicator | Mean | SD | Descriptive Equivalent |
|---------------------------|-------|-------|------------------------|
| Risk Management | 4.364 | 0.566 | Very High |
| Internal Control | 4.397 | 0.580 | Very High |
| Compliance and Consulting | 4.455 | 0.580 | Very High |
| Overall | 4.405 | 0.524 | Very High |

The level of internal audit control is very high. This is parallel to the idea of Mihret and Yismaw [10] that internal audit control plays a crucial role in enhancing good governance. The key to identifying and mitigating risks, improving transparency, and enhancing accountability for organizations is effective internal audit controls. The authors propose that embedding internal audit control within the governance framework will enable the governing body to receive objective assurance and advisory services and exercise effective oversight. Efficient oversight is enabled by the incorporation of internal audit control into the governing framework, which also allows objective assurance and advisory services to the governing body.

On the other hand, the mean scores for the indicators of the integrity system with an overall mean of 4.512 described as very high with a standard deviation of 0.524 were presented in Table 2. This implies that the level of integrity system is very much observed. The very high



level could be attributed to the high rating given by the respondents in all indicators in terms of strategic alliance, strategic planning, and fraud control. The cited total mean score was the outcome acquired from the subsequent computed mean scores from the highest to lowest indicators: 4.527 or very high for the strategic alliance; 4.526 or very high for strategic planning; and 4.484 or very high for fraud control.

Table 2. Level of Integrity System

| Indicator | Mean | SD | Descriptive Equivalent |
|--------------------|-------|-------|------------------------|
| Strategic Alliance | 4.527 | 0.538 | Very High |
| Strategic Planning | 4.526 | 0.555 | Very High |
| Fraud Control | 4.484 | 0.588 | Very High |
| Overall | 4.512 | 0.524 | Very High |

The level of integrity system is very high. This high level is consistent with the proposition of Said [11] an effective integrity system is a fundamental element of good governance. Integrity systems are defined as the mechanisms and processes designed to promote ethical behavior and prevent corruption within organizations. These systems consist of various components such as strategic planning, strategic alliances, and fraud control measures. The public sector must be transformed into a reliable and efficient sector by ensuring good governance and its proper assessment system. Improving the methods of the integrity system can aid in meeting the ambitions of stakeholders and guarantee responsibility within the public sector.

Moreover, the mean scores for the indicators of good governance with an overall mean of 4.547 described as very high with a standard deviation of 0.509 were presented in Table 3. This implies that the level of good governance is very much observed. The very high level could be attributed to the high rating given by the respondents in all indicators in terms of rule of law, responsiveness, transparency, and vision and mission. The cited total mean score was the outcome acquired from the subsequent computed mean scores from the highest to lowest indicators: 4.606 or very high for vision and mission; 4.550 or very high for rule of law; 4.500 or very high for responsiveness; and 4.531 or very high for transparency.

Table 3. Level of Good Governance

| Indicator | Mean | SD | Descriptive Equivalent |
|----------------|-------|-------|------------------------|
| Rule of Law | 4.550 | 0.553 | Very High |
| Responsiveness | 4.500 | 0.576 | Very High |
| Transparency | 4.531 | 0.575 | Very High |



| | | | |
|--------------------|-------|-------|-----------|
| Vision and Mission | 4.606 | 0.533 | Very High |
| Overall | 4.547 | 0.509 | Very High |

The level of good governance was very high. This finding confirms the viewpoint of Halachmi [12] that good governance involves ensuring that government organizations are transparent, accountable, and responsive to the needs of their constituents. Halachmi argues that good governance is essential for building trust between citizens and their government, increasing support for policies and initiatives, as well as promoting economic growth by reducing corruption, improving efficiency, and enhancing public services.

Adding to that, the gathered outcomes exposed that all the independent variables, namely, internal audit control and integrity system, are significantly related to good governance. The r-value for the relationship between internal audit control and good governance is 0.790* with a p-value of 0.001 and a coefficient of determination of 0.6241, which shows a positive correlation.

Also, the gathered outcomes exposed that an integrity system is significantly related to good governance. The r-value for the relationship between the integrity system and good governance is 0.879* with a p-value of 0.001 and a coefficient of determination of 0.7726, showing a positive correlation.

Table 4. Significance on the Relationship between Internal Audit Control and Integrity System to Good Governance

| Independent Variables | Dependent Variable | r-value | r-squared | p-value | Decision |
|------------------------|--------------------|---------|-----------|---------|----------------|
| Internal Audit Control | Good Governance | 0.790* | 0.6241 | 0.001 | Ho is rejected |
| Integrity System | | 0.879* | 0.7726 | 0.001 | Ho is rejected |

*Significant at 0.05 level of significance

Furthermore, as presented in the table, the hypothesis that there is no significant relationship between internal audit control and integrity system to good governance is also rejected. The findings of this study showed that there is a strong, positive correlation between an internal audit control and integrity system and good governance. Results from Pratiwi, D and Martani, D [13] research corroborate this; indicating that both an internal control system and integrity system have a significant positive impact on good governance, while the integrity system also moderates the relationship between internal control and good governance. The authors suggest ways in which local governments can reinforce their internal control and integrity systems, implying that these findings are highly valuable when it comes to improving governance in local government.



It is also presented in table 5 is the regression analysis of internal audit control to good governance. The table shows a computed F-value of 178.329 and a p-value of 0.001, which means that internal audit control can significantly predict good governance when taken as a whole. The R-value is 0.791, indicating a positive relationship between internal audit control to good governance. The overall R2 is 0.625, indicating that 62.5% of good governance is explained by internal audit control. The rest of the percentage can be attributed to other factors that were not considered in the study.

Table 5. Regression Analysis on Internal Audit Control to Good Governance

| Independent Variables | Unstandardized Coefficient | | Standardized Coefficient Beta | t-value | p-value | Decision |
|---------------------------|----------------------------|-------|-------------------------------|---------|---------|----------------|
| | B | SE | | | | |
| (constant) | 1.164 | 0.147 | | 7.891 | 0.001 | |
| Risk Management | 0.241 | 0.050 | 0.268* | 4.799 | 0.001 | Ho is rejected |
| Internal Control | 0.227 | 0.052 | 0.259* | 4.374 | 0.001 | Ho is rejected |
| Compliance and Consulting | 0.299 | 0.049 | 0.341* | 6.149 | 0.001 | Ho is rejected |

Dependent Variable: Good Governance

R-value = 0.791

F-value = 178.329

R2 = 0.625

p-value = 0.001

Moreover, risk management has a beta of 0.268* with a p-value of 0.001; internal control has a beta of 0.259* with a p-value of 0.001 and compliance and consulting has a beta of 0.341* with a p-value of 0.001. All indicators of the internal audit control have a corresponding p-value of 0.001, which is lesser than the 0.05 level of significance. This indicates that internal audit control can significantly predict good governance.

Lastly, presented in table 6 is the regression analysis of the integrity system to good governance. The table shows a computed F-value of 366.249 and a p-value of 0.001, which means that the integrity system can significantly predict good governance when taken as a whole. The R-value is 0.880, indicating a positive relationship between the integrity system to good governance. The overall R2 is 0.774, indicating that 77.4% of good governance is explained by an integrity system. The rest of the percentage can be attributed to other factors that were not taken into account in the study.

Table 6. Regression Analysis on Integrity System to Good Governance

| Independent Variables | Unstandardized Coefficient | Standardized Coefficient | t-value | p-value | Decision |
|-----------------------|----------------------------|--------------------------|---------|---------|----------|
|-----------------------|----------------------------|--------------------------|---------|---------|----------|



| | | | Beta | | | |
|--------------------|-------|-------|--------|-------|-------|----------------|
| | B | SE | | | | |
| (constant) | 0.713 | 0.118 | | 6.033 | 0.001 | |
| Strategic Alliance | 0.217 | 0.048 | 0.229* | 4.541 | 0.001 | Ho is rejected |
| Strategic Planning | 0.338 | 0.051 | 0.368* | 6.670 | 0.001 | Ho is rejected |
| Fraud Control | 0.295 | 0.042 | 0.341* | 6.952 | 0.001 | Ho is rejected |

Dependent Variable: Good Governance

R-value = 0.880

F-value = 366.249

R2 = 0.774

p-value = 0.001

Moreover, the strategic alliance has a beta of 0.229* with a p-value of 0.001; strategic planning has a beta of 0.368* with a p-value of 0.001 and fraud control has a beta of 0.341* with a p-value of 0.001. All indicators of the integrity system have a corresponding p-value of 0.001, which is lesser than the 0.05 level of significance. This indicates that an integrity system can significantly predict good governance.

Recommendation

Based on the findings of this study, in the level of internal audit control, all of the indicators obtained a very high result, however, among the three only the risk management indicator got the lowest mean, it is recommended that based on the assessment of the internal audit control domains of the Department of Education, the department should strengthen its operational risk management, especially in the MOOE (Maintenance and Other Operating Expenses) to ensure the efficient and effective use of its resources. This may be done through the conduct of a thorough risk assessment of the MOOE that is based on DepEd Order No. 008, s.2019 “Revised Implementing Guidelines on the Direct Release, Use, Monitoring and Reporting of Maintenance and Other Operating Expense (MOOER) Allocation of Schools, Including Other Funds Managed by School”, this will help identify potential operational hazards that could affect the department's operations and financial resources. Adding to that, develop and implement a comprehensive risk management plan. This should include strategies to mitigate risks, control operational hazards, and monitor and report on risk management activities.

On the other note, in the level of integrity system, all of the indicators obtain a very high result, however, among the three only the fraud control indicator got the lowest mean, it is recommended that based on the assessment of the integrity system of the Department of Education, they may strengthen its fraud control measures to achieve good governance in schools based on DepEd Order No. 49, s. 2006 “ Revised Rules of Procedure of the Department of Education in Administrative Cases Amended by”. This may be done by



establishing a fraud reporting mechanism. This may encourage stakeholders to report suspected cases of fraud without fear of retaliation or victimization. Additionally, through implementing a regular fraud monitoring and evaluation program. This can help identify and assess the effectiveness of fraud control measures and make necessary adjustments.

Lastly, in the level of good governance, all of the indicators obtain a very high result, however, among the four only the responsiveness indicator got the lowest mean, it is recommended that based on the assessment of the good governance of the Department of Education, they may enhance its responsiveness measures to achieve good governance and gain public trust. This may be done by developing and implementing a comprehensive responsiveness policy as per DepEd Compliance with Sec.91 (Transparency Seal) R.A. No. 10633 (General Appropriation Act FY 2014), R.A No. 9485 or Anti-Red Tape Act of 2007, and Civil Service Commission (CSC) Memorandum Circular No. 12, s. 2019, entitled "Guidelines on the Integrity of Transactions in the Civil Service".

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