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Memorandum No. ⁶⁹⁰
Series of 2024

TO: Ms. Maria Teresa A. Cruz

RE: Recommendations for Strengthening Internal Audit Functions in Compliance with the Revised Philippine Government Internal Audit Manual (PGIAM) of 2020

FROM: DR. PROSE IVY G. YEPES
University President

DATE: August 22, 2024

In coordination with the VSU Legal Office, this office is transmitting the following key points and recommendations regarding the implementation of the Revised Philippine Government Internal Audit Manual (PGIAM) of 2020.

After reviewing the manual, we confirm that the cited provisions are accurate, and we would like to highlight the following instructional sections of the manual:

1. Departments and agencies are reminded to adhere to the general objectives of internal control, including safeguarding assets, ensuring the accuracy and reliability of accounting data, promoting efficient and ethical operations, complying with laws and regulations, and adhering to managerial policies.
2. To achieve these objectives, the manual stresses the importance of five interrelated components: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring and Evaluation.
3. The manual clarifies that while the agency head is directly responsible for implementing and monitoring internal controls, the Internal Audit Service/Unit (IAS/IAU) supports this process through independent evaluation. This role is distinct from regular agency operations and monitoring.
4. From a baseline assessment of the internal control system, the IAS/IAU is expected to recommend an audit agenda for approval by the Head of Agency. The results of these audits, along with recommendations, are submitted for the agency head's or governing body's review, as outlined in the PGIAM.

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Based on these points, we recommend the following actions:

1. Internal auditing is a critical function, and the office recommends fast-tracking the hiring of additional internal auditors as per the Revised Organizational Structure and Staffing Standards (ROSSS). Given the extensive scope of internal auditing, it is clear that VSU currently lacks sufficient personnel to fully comply with the manual's requirements.
2. It is essential that internal auditors are granted full, free, and unrestricted access to all functions, premises, assets, personnel, records, and relevant information to perform their duties effectively. However, this authority should be exercised strictly in accordance with established Internal Auditing Processes.
3. The IAS must follow the three major steps outlined in the PGIAM: (1) Strategic and Annual Planning; (2) Audit Process; and (3) Performance Monitoring and Evaluation. Detailed guidelines for each of these steps are provided in the manual, and the audit process should be conducted with the approval of the Head of Agency and the IAS Head.
4. The IAS Head should ensure that all internal audit activities at VSU are conducted in accordance with the Revised Philippine Government Internal Audit Manual of 2020.

It is the considered opinion of this office that VSU has yet to fully implement an internal audit aligned with the standards of the PGIAM. Furthermore, it is important to note that such activities cannot be effectively carried out by the current staffing levels in the IAS.

For your information, appropriate action, and coordination with concerned office/s.

cc: OIC Legal Officer
All Chancellors
All Vice Presidents