



119TH BOARD OF REGENTS MEETING

BOR RESOLUTION NO. 54
Series of 2025

APPROVING THE VISAYAS STATE UNIVERSITY AUDIT FRAMEWORK, AS DESCRIBED IN THE DOCUMENT ATTACHED HERETO AS ANNEX "EE" AND MADE PART HEREOF

WHEREAS, under Section 4 (a) of Republic Act No. 8292, otherwise known as the "Higher Education Modernization Act of 1997, empowers the Governing Board to enact rules and regulations not contrary to law as may be necessary to carry out the purposes and functions of the university;

WHEREAS, Republic Act No. 3456, otherwise known as the Internal Auditing Act of 1962, mandates the establishment of an Internal Audit Service (IAS) in all government agencies to enhance fiscal administration through independent assessments of internal controls, financial integrity and operational performance;

WHEREAS, the Visayas State University, through its Internal Audit Services Office, has developed the Audit Framework as described in the document attached hereto as Annex "EE" consistent with the Revised Philippine Government Internal Audit Manual (RPGIAM);

WHEREAS, the VSU Audit Framework establishes guiding principles, strategic direction, processes, responsibilities, scope of audit, key focused areas and the authority necessary for Internal Auditors to effectively support governance, strengthen accountability, and enhance operational efficiency across the organization;

WHEREAS, the internal auditors are expected to conduct and coordinate a broad range audit function for the University system and take all actions and steps deemed necessary and proper to implement the VSU Audit Framework;

WHEREAS, the proposal has been thoroughly evaluated by the University Administrative Council (UADCO) at the February 14, 2025, meeting and obtained favorable endorsement;

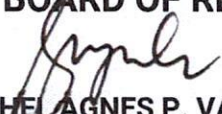
WHEREAS, finding the recommendation in order, the Governing Board agreed to approve the proposal;


NOW, THEREFORE, on motion, duly seconded, and unanimously approved, be it;

RESOLVED, as it is hereby resolved, that the Board of Regents of Visayas State University approves the Visayas State University Audit Framework, as described in the document attached as Annex "EE" and made part of this resolution.

IN WITNESS of our approval thereof, we affix our signatures this 29th day of April 2025 at VSU, Baybay City, Philippines.

VSU BOARD OF REGENTS


HON. ETHEL AGNES P. VALENZUELA
CHED Commissioner and Chairperson
VSU-Board of Regents


HON. PROSE IVY G. YEPES
VSU President, Vice Chairperson
VSU-Board of Regents


(Absent)


HON. BERNADETTE REMALLA-MAYBITUIN
Representing Hon. **ALLAN PETER S. CAYETANO**
Chairperson, Senate Committee on Higher,
Technical and Vocational Education
Member, VSU BOR


HON. CARL NICOLAS C. CARI
Representing Hon. **MARK O. GO**
Chairperson, Committee on Higher & Technical
Education, House of Representatives
Member, VSU BOR


HON. MEYLENE C. ROSALES
Regional Director, Department of Economy,
Planning and Development, RO VIII
Member, VSU BOR


HON. ANDREW RODOLFO T. ORAIS
Regional Executive Director, Department of
Agriculture-RO8
Member, VSU BOR



HON. ERNESTO F. BULAYOG
Faculty Regent - VSU System Faculty Union of
Baybay Leyte
Member, VSU BOR


HON. OSCAR B. POSAS
President, VSU Federated Alumni Association
Member, VSU BOR


HON. RYAN C. ILAIDA
Student Regent - VSU Student Council Federation
Member, VSU BOR

Private Sector Representatives:


HON. ALAIN CHARLES J. VELOSO
Member, VSU BOR
Villaba, Leyte


HON. RUPERTO O. APPARRI, III
Member, VSU BOR
Tacloban City, Leyte

Visayas State University Audit Framework

I. INTRODUCTION

The history of the Internal Control Unit (ICU) at Visayas State College of Agriculture (VISCA) began on April 20, 1981, with its establishment through Memorandum Circular No. 1 from the Office of the President, in accordance with COA Circular No. 77-48 issued on January 31, 1977. The ICU was tasked with the pre-auditing of all business and financial transactions at the college. On September 18, 1981, the Office of the President of VISCA issued Memorandum Circular No. 4, reorganizing both the Development Planning Office and the ICU. On January 1, 1990, the Accounting Office assumed the pre-audit function that had previously been handled by the ICU, as outlined in Memorandum No. 3 from the Office of the President, dated January 8, 1990. This shift marked a change in the ICU's responsibilities. Then, on April 28, 1992, the Office of the President of the Philippines issued Administrative Order No. 278, which established the Internal Audit Service (IAS) to strengthen auditing practices in government institutions. On August 23, 1995, COA Memorandum No. 95-092 was issued, directing heads of auditing units to monitor compliance with Administrative Order No. 278.

In response, on October 11, 1995, the College President sent a letter to COA Resident Auditor Arnulfo V. Galenzoga, confirming that VISCA had been implementing the provisions of the order by utilizing the ICU to perform the functions of the newly established IAS. The transformation of the internal audit structure continued with the issuance of Budget Circular No. 2004-4 on March 22, 2004, which outlined guidelines for organizing and staffing Internal Auditing Units (IAUs). On May 3, 2004, the proposed functions, staffing, and workload for the IAS were submitted to the Vice President for Administration and Finance. On August 31, 2005, the Office of the President of Leyte State University (LSU) issued Memorandum Circular No. 43, which approved a new organizational structure for the university, effective September 1, 2005. As part of this restructuring, the ICU was renamed the Internal Audit Service (IAS) under the new LSU Organizational Structure. The VSU Internal Audit Services (IAS) Office was created in 2004, in response to the Administrative Order (AO) 70 signed on April 14, 2003, by then President Gloria Macapagal-Arroyo, entitled Strengthening of Internal Control Systems of Government Offices, Agencies, Government-Owned and/or Controlled Corporations including Government Financial Institutions, State Universities and Colleges and Local Government Units. Section 1 of the Administrative Order 70 s.2003, states that the Internal Audit Service shall be an integral part of the office and shall assist in the management and effective discharge of the responsibilities of the office, without intruding into the authority and mandate of the Commission on Audit (COA) granted under the Constitution. It shall function in accordance with the policies established by the provisions of Republic Act No. 3456 as amended by Republic Act No. 4177. Furthermore, the Internal Audit Services office shall be

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provided with sufficient support from the top management to gain the cooperation/confidence of the Auditee. In 2024, the Internal Audit Service initiated the development of its Framework and Manual to enhance its operations and align with established national standards. This effort adheres to the guidelines set forth in the Philippine Government Internal Audit Manual (PGIAM) of 2011 and the Revised Philippine Government Internal Audit Manual (RPGIAM) of 2022. The initiative aims to strengthen the audit function by providing a structured approach that ensures compliance with professional standards, promotes efficiency, and supports effective governance across the organization.

1.1 General Background

Internal audit plays a crucial role in strengthening governance, ensuring accountability, and fostering transparency in government agencies, including State Universities and Colleges (SUCs). As an independent and objective function, internal audit provides assurance on risk management, internal controls, and regulatory compliance, safeguarding institutional resources and enhancing operational efficiency. This function is vital for ensuring that the operations of the institution are carried out efficiently, ethically, and in line with applicable laws and regulations.

1.2 Purpose

The Internal Audit Service (IAS) at the Visayas State University (VSU) aims to evaluate and improve the effectiveness and efficiency of the university's internal controls, governance processes, and overall operational performance. Guided by the principles outlined in the Revised Philippine Government Internal Audit Manual (RPGIAM), the IAS supports VSU's mission by ensuring that audits are conducted with independence, objectivity, and accountability. The unit aims to provide reliable assessments of VSU's operations, helping the university achieve its objectives efficiently, effectively, economically, and ethically.

II. THE INTERNAL AUDIT SERVICE (IAS)

The Internal Audit Service (IAS) of the Visayas State University (VSU) operates under the mandates of Republic Act (RA) No. 3456, as amended by RA No. 4177 (Internal Auditing Act of 1962), RA No. 9184 (Government Procurement Reform Act) and its IRR and latest issuances, Commission on Audit (COA) regulations, Department of Budget and Management (DBM) guidelines, and other relevant national policies and directives. These legal frameworks define the scope, authority, and responsibilities of internal

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audits within government agencies, including State Universities and Colleges (SUCs).

The Internal Audit Service (IAS) operates with full autonomy, with unrestricted access to records, personnel, assets, and other necessary resources to perform its duties effectively, as authorized by the HoA (OP Memorandum No. 690 s. 2024) and the VSU Board of Regents under RA 9158. To maintain its independence from operational management, the IAS ensures that all audits are conducted with objectivity and impartiality.

In compliance with the Data Privacy Act of 2012 (RA 10173), the IAS upholds the highest standards of confidentiality, ensuring that all collected information, including personal and sensitive data, is used strictly for audit purposes. Any access, processing, or disclosure of data is limited to authorized personnel and conducted in accordance with applicable privacy and security policies. This structure reinforces VSU's commitment to transparency, accountability, integrity, and good governance, while safeguarding the rights of individuals and entities subject to audit.

2.1 Internal Audit Service Mandate and Authority

The mandate of the IAS at VSU is to perform independent assessments of the university's financial, operational, and compliance activities. This is in accordance with the guidelines outlined in the RPIAM, ensuring the internal audit function is aligned with the university's strategic goals and complies with established auditing standards. The IAS is authorized to perform the general objectives, to wit;

1. Safeguard assets;
2. Check the accuracy and reliability of accounting data;
3. Ensure efficient, effective, ethical and economical operations;
4. Comply with laws and regulations; and
5. Adhere to managerial policies.

To achieve these objectives, five (5) interrelated internal control components as enumerated below need to be set in place:

1. Control environment;
2. Risk assessment;
3. Control activities;
4. Information and communication; and

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5. Monitoring and evaluation.

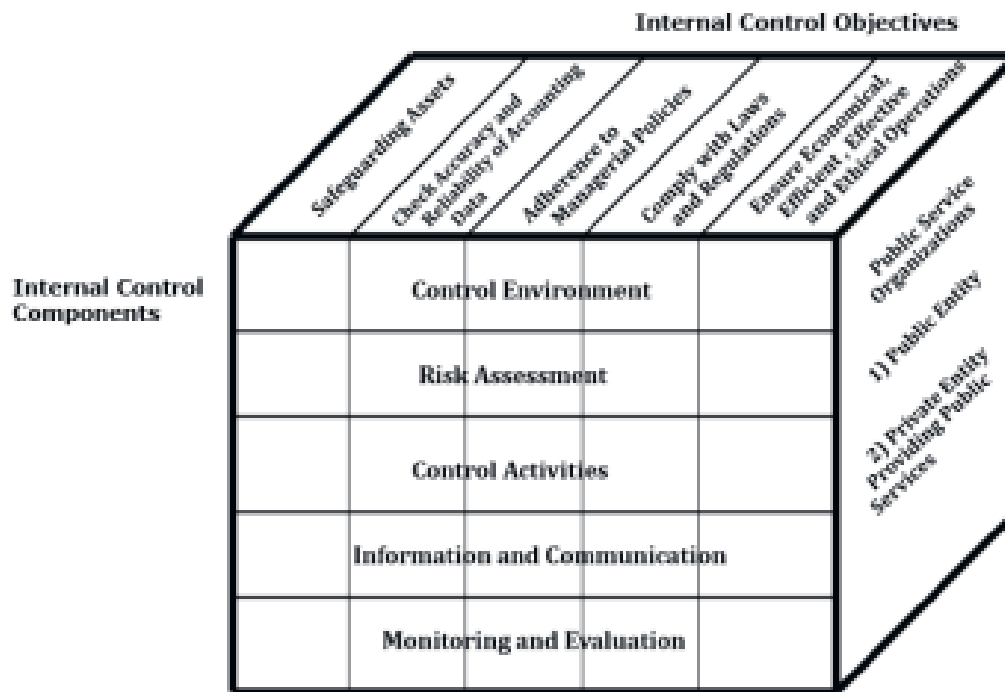


Figure 1. Internal Control Framework

Figure 1 presents the Internal Control Framework, which outlines the internal control objectives and components within the context of a public service organization.

Further, IAS may perform consulting function to provide support services for an enhanced operational effectiveness and efficiency of stakeholders' internal control system.

Furthermore, IAS may conduct audit *motu proprio* on operations and/or management processes needing immediate action.

2.2 Internal Audit Structure

The **Internal Audit Service (IAS)** is composed of key roles and responsibilities to ensure efficient and effective audit activities. The internal audit structure of the Visayas State University is based on DBM-CL 2023-14 and in accordance with the provisions on the Revised Organization and Staffing Standards (ROSS) per DBM National Budget Circular No. 589 s. 2022.

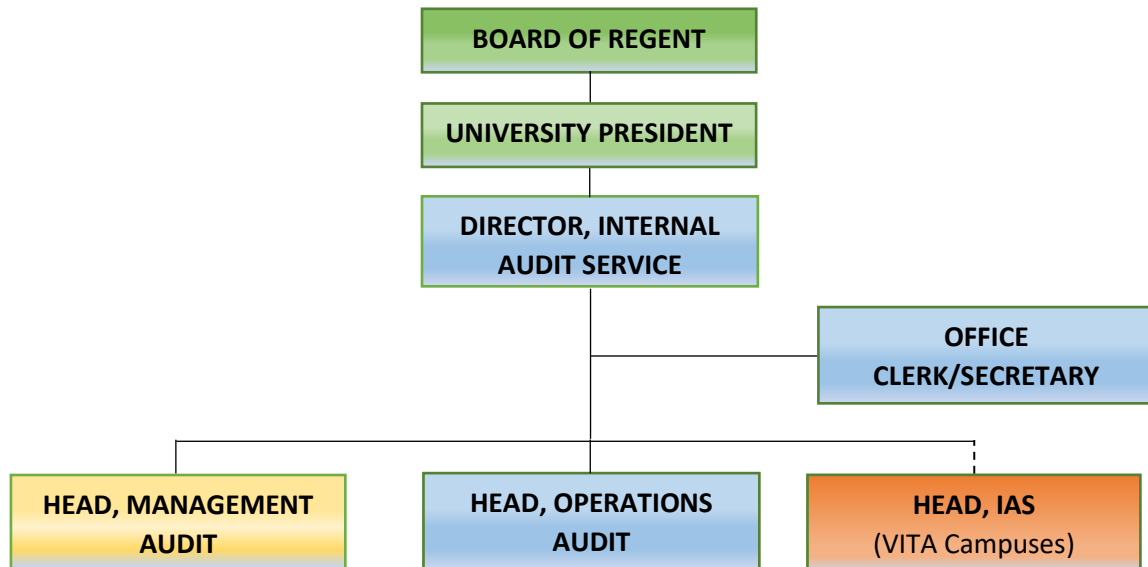


Figure 2. IAS Organizational Structure

(DBM CL 2023-14 Revised Guidelines on the Organization Staffing of and Internal Audit Unit (IAU) in Departments, Agencies, SUCs, GOCCs/GFIs, and LGUs; Sec 4.3.3)

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2.3 Functions and Responsibilities

Director of Internal Audit Service

Overall Role:

The IAS Director leads the internal audit function for the entire university, ensuring alignment with risk management, compliance, and internal controls across all campuses, including VITA. Reporting directly to the University President, the IAS Director provides strategic oversight, ensuring that audit activities uphold institutional integrity, efficiency, and transparency.

Key Functions:

- Spearheads audit planning, ensuring alignment with university goals and risk management priorities.
- Develops and oversees the execution of a risk-based audit plan, ensuring audit coverage across critical areas.
- Ensures institutional compliance with regulatory requirements and risk management frameworks.
- Provides strategic oversight of audit execution, ensuring adherence to professional standards and best practices.
- Communicates audit findings and compliance updates to the University President and oversight bodies.
- Ensures consistency in audit methodologies and best practices across the main and VITA campuses.
- Facilitates collaboration between the main campus and VITA audit teams for streamlined operations.
- Conducts special audits, investigations, and compliance reviews as necessary.
- Provides expert recommendations to strengthen governance, risk management, and internal controls.
- Oversees the implementation and monitoring of the Baseline Assessment of Internal Control Systems (BAICS) and risk assessment initiatives.

Head of Management Audit

Overall Role:

The Head of Management Audit is responsible for assessing and improving the effectiveness of management processes, governance structures, and strategic decision-making within the university. This role ensures that

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leadership and administrative functions operate efficiently, transparently, and in compliance with institutional and regulatory requirements while supporting the university's strategic objectives.

Reporting to the IAS Director, the Head of Management Audit leads the execution of management audits, supervises fieldwork, conducts in-depth assessments, and provides actionable recommendations to enhance institutional governance and leadership effectiveness. While actively conducting fieldwork alongside junior auditors, the Head of Management Audit retains overall leadership of management audit engagements and ensures adherence to professional audit standards.

Key Functions:

- Leads and executes management audit engagements, ensuring adherence to audit standards and best practices.
- Conducts fieldwork, including interviews, process walkthroughs, and document reviews, alongside junior auditors.
- Evaluates governance, leadership, and strategic planning processes to enhance decision-making and institutional performance.
- Conducts risk assessments to identify weaknesses in management systems and recommend improvements.
- Ensures compliance with institutional policies, accreditation standards, and government regulations.
- Reviews internal controls related to management functions and recommends enhancements.
- Prepares detailed audit reports with practical, actionable recommendations for leadership improvement.
- Supervises fieldwork activities and provides technical guidance to junior auditors.
- Advises university leadership on process improvements to enhance administrative efficiency and effectiveness.
- Collaborates with the IAS Director to align management audit strategies with the overall audit plan.

Head of Operations Audit

Overall Role:

The Head of Operations Audit (Internal Auditor II) is responsible for evaluating operational efficiency, regulatory compliance, and internal controls across all campuses. This role ensures that institutional processes, including facilities, human resources, and student services, operate effectively while adhering to

policies and regulations. Reporting to the IAS Director, the Head of Operations Audit conducts risk assessments, identifies inefficiencies, and recommends process improvements to enhance operational performance and resource utilization.

Key Functions:

- Conducts operational and financial audits, identifying inefficiencies, control weaknesses, and areas for optimization.
- Evaluates operational processes (e.g., facilities management, human resources, and student services) for effectiveness and efficiency.
- Performs risk assessments to identify operational vulnerabilities and recommend mitigation strategies.
- Ensures compliance with institutional policies, accreditation standards, and government regulations, including health, safety, and environmental standards.
- Reviews internal controls to prevent fraud, waste, and inefficiencies, strengthening governance mechanisms.
- Prepares audit reports with actionable recommendations and assists in implementing process improvements.
- Supports audit execution under the guidance of senior auditors, ensuring alignment with institutional audit objectives.
- Collaborates with the IAS Director and Head of Management Audit to ensure consistency in audit strategies and reporting.

VITA Campus Internal Audit Head

The VITA Campus Internal Audit Head oversees internal audit activities within their assigned campus (Villaba, Isabel, Tolosa, or Alangalang), ensuring compliance, risk management, and operational efficiency. This role aligns campus-level audits with the university's internal audit strategy while collaborating with the Main IAS Office to ensure consistency in audit execution, methodologies, and reporting. When necessary, the Main IAS Office provides additional support in conducting audits to reinforce audit quality and effectiveness.

Key Functions:

- Leads internal audit activities at the assigned VITA campus, ensuring adherence to university-wide audit policies.
- Conducts compliance, operational, and financial audits to assess adherence to institutional policies and government regulations.

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- Collaborates with the Main IAS Office during audit execution, ensuring consistency in risk assessment, methodology, and reporting.
- Requests assistance from the Main IAS Office when needed for additional support in conducting audits.
- Identifies risks and control weaknesses specific to the campus and coordinates mitigation strategies with the IAS Director.
- Evaluates campus-level operational efficiency, including procurement, human resources, student services, and financial transactions.
- Prepares audit reports detailing findings and recommendations, submitting them to the IAS Director for review and action.
- Monitors the implementation of audit recommendations, ensuring corrective actions are effectively applied.
- Supports special audits, fraud investigations, and process reviews as directed by the IAS Director.
- Provides guidance and supervision to the campus internal audit team, ensuring compliance with professional audit standards.

Internal Auditor I

The Internal Auditor I supports the execution of internal audits by conducting fieldwork, gathering evidence, and assessing compliance with institutional and regulatory requirements. Reporting to senior auditors, this role plays a critical part in identifying control weaknesses, inefficiencies, and risks across various university processes.

Key Functions:

- Conducts audit fieldwork, including document reviews, interviews, and observations.
- Assesses compliance with institutional policies, accreditation standards, and government regulations.
- Identifies control weaknesses and inefficiencies in financial, operational, and management processes.
- Supports risk assessments by gathering relevant data and analyzing potential vulnerabilities.
- Prepares working papers and audit documentation to ensure accuracy and completeness of audit findings.
- Assists in drafting audit reports, summarizing key issues and recommended corrective actions.
- Collaborates with senior auditors to ensure consistency in audit methodology and reporting.
- Monitors the implementation of audit recommendations, following up on corrective actions.

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- Engages in professional development to enhance auditing knowledge and skills.
- Witnesses the inventory process of property, plant, and equipment, as well as biological assets (animals and plants), ensuring proper documentation and compliance. (Does not conduct the inventory but ensures transparency in the process.)
- Witnesses and records biological asset activities, including harvests, sales, disposals, deaths, and births, to ensure transparency and accountability.

Administrative Staff

The Administrative Staff provides essential support to the Internal Audit Service (IAS) by managing documentation, coordinating audit logistics, and assisting in audit-related activities. This role also involves witnessing biological asset transactions and conducting inventories of property, plant, and equipment, as well as biological assets (animals and plants) to ensure transparency and accountability in the university's asset management.

Key Functions:

- Manages audit logistics, including coordinating schedules, meetings, and audit-related communications to support audit operations.
- Manages audit records and documentation, ensuring organized filing and retrieval of audit reports and working papers.
- Prepares and processes administrative documents related to internal audit operations.
- Supports the audit team in data gathering and preliminary documentation for audits.
- Coordinates with university departments to facilitate smooth audit operations and information flow.
- Maintains confidentiality of audit-related information in compliance with professional standards.

III. AUDIT SCOPE

The internal audit activities of VSU encompass the following areas:

3.1 Governance, Risk Management, and Internal Controls

3.1.1 Governance

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The internal audit will assess the effectiveness of VSU's leadership in steering the university towards its vision of becoming a globally recognized green institution. This evaluation will focus on the decision-making processes, strategic initiatives, and governance structures to ensure they align with the university's mission of delivering high-quality education, advancing relevant research, and fostering impactful community engagement.

The audit will examine how well VSU's leadership makes informed, strategic decisions that support long-term sustainability, growth, and the realization of the university's broader goals. By reviewing these governance practices, the audit will provide valuable insights into how the university's leadership is positioning VSU for continued success and global competitiveness in the context of its green initiatives.

3.1.2 Risk Management

The internal audit will explore how effectively VSU identifies and manages potential risks that may influence its ability to achieve its goals. This includes evaluating the processes in place to assess and address risks across various domains, including financial, operational, and academic or research-related areas.

The aim is to ensure that VSU is taking a proactive approach to managing risks, helping to maintain the university's progress while protecting valuable resources. The audit will also identify areas where the university's risk management practices could be further refined to better support its long-term success and sustainability.

3.1.3 Internal Controls

The internal audit will evaluate the effectiveness of VSU's internal control systems in safeguarding the university's resources and ensuring the accuracy of financial reporting. This will involve reviewing processes related to budgeting, expenditure, and asset management to assess their security and efficiency.

The audit aims to identify any potential weaknesses in the current control mechanisms and offer recommendations for improvements.

These enhancements will help ensure compliance with relevant regulations, protect university assets, and further support VSU's mission of academic excellence and public service.

3.2 Key Areas of Focus for Audits

3.2.1 Compliance Audit

The internal audit will ensure that VSU complies with all relevant laws; and internal policies across its various functions. While compliance with RA 9184 (Procurement Law) will be a key focus, audits will also cover areas such as manpower management, financial controls, and general operational practices. This includes verifying that VSU's processes and practices in these areas meet legal and regulatory requirements.

In terms of Quality Assurance, the internal audit will focus on verifying that QA activities and outcomes are aligned with VSU's internal standards and external accreditation requirements. While the QA Office is responsible for overseeing the quality of academic programs, services, and operations, the internal audit will assess whether the university is meeting regulatory compliance and ensuring the proper documentation and adherence to those external standards.

Additionally, the audit will ensure that VSU upholds the highest standards of governance and ethical conduct in all areas of operation. This includes evaluating VSU's commitment to public service, ensuring gender responsiveness, and fostering community engagement. The goal is to ensure that all departments and offices operate within the established legal framework, maintain transparency and accountability, and actively contribute to the university's mission of societal transformation.

3.2.2 Operations Audit

This aspect of the audit will assess the effectiveness and efficiency of VSU's operational processes, ensuring alignment with the university's strategic goals. The audit will place particular emphasis on the utilization of resources, departmental coordination, and the

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alignment of operations with VSU's vision of becoming a global green university and its mission to deliver high-quality instruction, foster innovative research, and promote impactful community engagement. Additionally, the audit will review expenditures to ensure that no funds are used for illegal, irregular, unnecessary, excessive, extravagant, or unconscionable (IIUEEU) expenditures, upholding the principles of fiscal responsibility and accountability. The audit will also identify opportunities to streamline processes, optimize performance, and enhance service delivery across key areas, including academic programs, research initiatives, and student services. Ultimately, the goal is to ensure that VSU's operations not only support the achievement of its breakthrough goals but also contribute to its long-term vision for societal transformation in an efficient and transparent manner.

3.2.3 Management Audit

Management audit is a separate evaluation of the effectiveness of internal controls adopted in the operating and support services units/systems to determine whether or not they achieve the control objectives over a period of time or as of a specific date. It includes the determination of the degree of compliance of control or supervision with laws, regulations, managerial policies, accountability measures, ethical standards and contractual obligations covering specific timeframes.

It is a review and appraisal of the systems and processes, organizational and staffing structures, operations and management practices, records, reports and performance standards of the agencies/units covered.

Management audit may encompass a comprehensive and thorough examination of an organization or a specific operating or support system or work process. Examples of support services systems are human resource management (HRM) system, financial management system (FMS), quality management system (QMS), risk management system and their sub-systems. The audit is conducted to identify issues and control weaknesses or management deficiencies in the organization, thus providing HoA with courses of action to address the problem area.

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3.3 Exclusions from the Internal Audit

The following examples of activities are considered as non-internal audit functions that should not be undertaken by the IAS.

- a) Conduct of internal quality audit as part of the ongoing implementation of the QMS;
- b) Participation in procurement procedures, including membership in the Bids and Awards Committee, its secretariat or technical working group;
- c) Preparation or review of draft policies, guidelines, standards or operating procedures of other offices;
- d) Review and certification of financial reports before approval by the agency head;
- e) Pre-audit of vouchers and counter-signature of checks;
- f) Inspection of deliveries, although the internal auditor may, as part of his examination, observe inspection;
- g) Preparation of treasury and bank reconciliation statements;
- h) Development and installation of systems and procedures, except in exceptional cases wherein the internal auditor may assist by way of giving suggestions;

IV. INTERNAL AUDIT PROCESS

The major steps in the conduct of internal auditing:

1. Strategic and Annual Planning
2. Audit Process; and
3. Performance Monitoring and Evaluation

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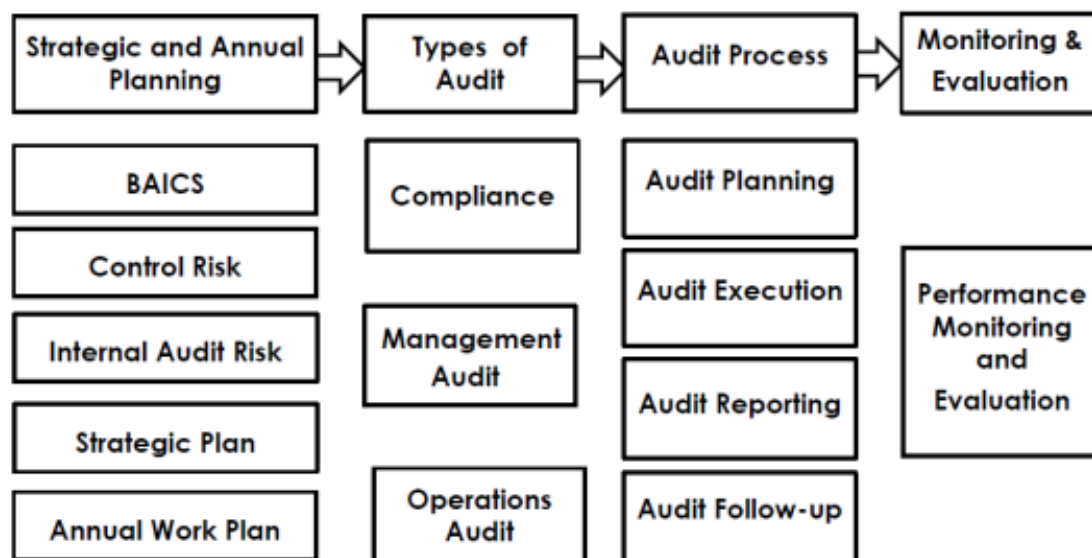


Figure 3. Internal Audit Key Processes/Activities

Internal audit activities begin with strategic and annual work planning. The strategic planning process starts with a Baseline Assessment of the Internal Control System (BAICS), which serves as a foundation for identifying key areas of focus. Following the BAICS, the Internal Audit Service (IAS) assesses audit risks and formulates a three-year Strategic Plan. Based on this plan, the Annual Work Plan is developed, outlining the specific audit areas for the upcoming year. The IAS is also responsible for conducting compliance audits, management audits, and operational audits to ensure that all relevant processes and regulations are being adhered to.

The internal audit process consists of four key phases: audit engagement planning, audit execution, audit reporting, and audit follow-up. These stages guide auditors in systematically examining an organization's financial data or other operational processes. The process involves careful planning, evidence gathering, and reporting of findings to ensure that potential issues are identified and addressed.

V. THE RELATIONSHIP OF INTERNAL AUDIT SERVICE WITH OTHER UNITS

Pursuant to Section 124 of the Government Auditing Code of the Philippines, the direct responsibility to install, implement and monitor a sound system of internal control rests with the HoA.

For VSU, the replacement of Organization of the IAS shall report directly to the Office of the President.

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5.1 IAS and the Head of Agency (HoA)

The Internal Audit Service (IAS) must report directly to the Head of Administration (HoA), establishing a superior-subordinate relationship between the HoA and the internal auditors. In this structure, the IAS head is accountable to the HoA. This relationship provides an opportunity for the internal audit function to gain valuable insights into emerging issues and concerns within the organization. Additionally, it allows for discussions on the role the HoA expects the IAS to fulfill, ensuring alignment with the IAS's mandated functions.

5.2 IAS and the Management Committee (ManCom)

To effectively carry out its responsibilities, the IAS must maintain a professional and constructive relationship with the Management Committee (ManCom) of VSU. Regular interaction between IAS members and ManCom is essential for fostering a collaborative environment based on mutual respect, cooperation, and a commitment to the highest standards of professionalism.

5.3 IAS and the Department of Budget and Management (DBM)

The IAS audits financial management and budget utilization to ensure compliance with DBM regulations. Additionally, the findings from the IAS audits may be utilized by the DBM to evaluate fiscal discipline and assess budgetary efficiency.

5.4 IAS and the Commission on Audit (COA)

The IAS ensures that internal controls comply with COA guidelines, aiming to minimize or eliminate audit findings. Additionally, COA may use IAS reports to conduct risk-based audits and perform validation.

5.5 IAS and the Civil Service Commission (CSC)

The IAS audits Human Resource Management and Development (HRMD) processes to ensure compliance with CSC regulations on recruitment, promotions, and gender responsiveness. Additionally, the IAS may assess ethical standards and performance based on CSC policies.

5.6 IAS and Oversight, Regulatory and Other External Bodies

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The IAS head, with the authority of the HoA, may liaise with external reviewers as part of the organization's governance framework. Formalizing protocols for these interactions—such as the exchange of information and reports—ensures coordination and efficiency. This arrangement is particularly useful when the internal audit function needs to collaborate with other public service organizations due to inter-agency agreements, as authorized by the HoA.

5.7 IAS and Professional Bodies

It is generally expected that internal auditors may be members of professional bodies. Staying updated on industry trends and developments is crucial, and internal auditors should leverage networking opportunities to support their ongoing professional development, in accordance with applicable laws and regulations.

VI. POLICIES AND GUIDELINES

The Internal Audit Service (IAS) operates within a well-defined framework of policies and guidelines established by key oversight agencies, including the Commission on Audit (COA), Department of Budget and Management (DBM), Civil Service Commission (CSC), National Economic and Development Authority (NEDA), and the Commission on Higher Education (CHED). These guidelines ensure that the internal audit function effectively supports governance, accountability, and operational efficiency.

Our audit processes are guided by the Revised Philippine Government Internal Audit Manual (RPGIAM) and the Philippine Government Internal Audit Manual (PGIAM), which set the standards for internal control, risk management, and performance evaluation. Through these frameworks, we promote transparency, reinforce internal controls, and drive continuous improvement.

At Visayas State University (VSU), we are committed to adhering to these policies to safeguard institutional resources, ensure compliance, and enhance operational effectiveness in fulfilling our mandate.

6.1 Legal Bases and Guidelines

The internal audit function at Visayas State University (VSU) is governed by a set of legal and regulatory issuances that define its structure, responsibilities, and operational framework. These policies ensure that VSU's internal audit practices adhere to national standards for accountability, transparency, and governance

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efficiency. Below is a chronological overview of the key legal foundations that establish and regulate internal auditing within the university.

- a. Republic Act No. 3456 (Internal Auditing Act of 1962)**, as amended by RA No. 4177 (1965), mandates the establishment of an Internal Audit Service (IAS) in all government agencies. This legislation aims to enhance fiscal administration by ensuring efficiency, effectiveness, and accountability in government operations. The IAS plays a critical role in supporting management through independent assessments of internal controls, financial integrity, and operational performance.
- b. Republic Act No. 9184 (Government Procurement Reform Act)**, governs procurement processes in all government entities, including SUCs, ensuring transparency, fairness, and cost-effectiveness in public spending.
- c. Office of the President Administrative Order No. 70 (April 14, 2003)**, specifically mandates the strengthening of internal control systems in SUCs, along with government offices, GOCCs, and LGUs, reaffirming the authority for creating and maintaining the IAS/IAU.
- d. DBM Budget Circular 2004-4 (March 22, 2004)**, provides guidelines on the organization and staffing of Internal Audit Units (IAU) in government agencies, including SUCs, ensuring their structure aligns with national policies.
- e. OP Memorandum Circular (MC) No. 89, dated August 18, 2005, reaffirmed the directive under Administrative Order (AO) No. 70, s. 2003**, on strengthening internal control systems in government offices, agencies, government-owned and/or controlled corporations (GOCCs), government financial institutions (GFIs), state universities and colleges (SUCs), and local government units (LGUs). It mandated agency heads to: (a) establish an Internal Audit Service (IAS) or Internal Audit Unit (IAU) in compliance with AO No. 70, s. 2003; (b) adhere to the organizational and staffing guidelines outlined in DBM Budget Circular (BC) No. 2004-4; and (c) submit a compliance report on the implementation of AO No. 70.
- f. DBM Circular Letter (CL) No. 2008-5, dated April 14, 2008**, outlines the guidelines for organizing and staffing an Internal Audit Service (IAS) or Internal Audit Unit (IAU), as well as a Management Division/Unit within government departments, agencies, GOCCs, and GFIs. It defines the functions of the IAS/IAU, establishes organizational parameters, and prescribes the appropriate rank and salary grade for its head. The circular further mandates that the head of the IAS/IAU shall report directly to the Department Secretary (DS) or Head of Agency (HoA) for

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departments and attached agencies, and to the Audit Committee (AuditCom) of the Governing Board (GB) for GOCCs and GFIs.

- g. DBM Circular Letter No. 2008-8, issued on October 23, 2008,** establishes the National Guidelines on Internal Control Systems (NGICS), underscoring the vital role of the Internal Audit Service/Unit (IAS/IAU) in strengthening governance within government institutions, including State Universities and Colleges (SUCs). The directive mandates the IAS/IAU to function as an independent unit responsible for evaluating and assessing the effectiveness of internal controls, ensuring they are well-designed, properly implemented, and aligned with organizational objectives.
- h. Philippine Government Internal Audit Manual (PGIAM) – DBM Circular Letter No. 2011-05 (May 19, 2011),** developed to assist government agencies, including SUCs, in establishing and strengthening their internal audit functions. It provides detailed guidelines on internal audit processes, emphasizing the role of internal audit in promoting effective, efficient, ethical, and economical operations.
- i. Revised Philippine Government Internal Audit Manual (RPGIAM) – DBM Circular Letter (May 26, 2020),** an updated version of the PGIAM, the RPGIAM addresses emerging issues and concerns relevant to internal audit in the government sector. It clarifies policies and harmonizes guidelines with pertinent laws and standards, ensuring that internal audit practices remain effective and attuned to current developments.
- j. DBM National Budget Circular (NBC) No. 589, dated 25 May 2022,** establishes the staffing parameters for Internal Audit Services/Units (IAS/IAU) in State Universities and Colleges (SUCs). It categorizes SUCs into small, medium, and large, specifying the corresponding allowable plantilla positions for internal audit.
- k. DBM Circular Letter No. 2023-14** Revised Guidelines on the Organization Staffing of and Internal Audit Unit (IAU) in Departments, Agencies, SUCs, GOCCs/GFIs, and LGUs
- l. RA 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees)** promotes ethical governance in public service.

6.2 Ensure Compliance with Regulatory and Institutional Policies

- 6.2.1** Conduct periodic audits to verify adherence to RA 3456 (Internal Auditing Act), RA 9184 (Procurement Law), DBM guidelines, COA regulations, and other relevant legal frameworks.

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6.3 Promote Ethical Governance and Risk Management

- 6.3.1** Conduct risk assessments and develop mitigation strategies for financial, operational, and reputational risks
- 6.3.2** Foster a culture of integrity by monitoring adherence to ethical standards and governance policies

6.4 Operational Efficiency of the University Programs and Projects

- 6.4.1** Evaluate academic, research, and extension programs to ensure they align with VSU's strategic goals and contribute to societal impact
- 6.4.2** Audit project implementation, fund utilization, and performance indicators to measure effectiveness and sustainability

6.5 Support Process Automation and Digital Transformation

- 6.5.1** Review digitalization initiatives and IT security measures to enhance operational efficiency and data protection
- 6.5.2** Ensure compliance with best practices in cybersecurity and digital governance.

6.6 Ensure Effective Asset and Facilities Management

- 6.6.1 Audit procurement, inventory, and maintenance** of physical and intangible assets to prevent mismanagement or wastage.
- 6.6.2 Verify** compliance with green and smart infrastructure standards in support of VSU's sustainability goals

6.7 Foster Continuous Improvement and Capacity Building

- 6.7.1** Recommend training programs for personnel to strengthen internal control awareness and audit responsiveness
- 6.7.2** Conduct internal assessments and benchmarking to adopt to best practices in internal audit functions

6.8 Internal Controls Assessment and Evaluation

- 6.8.1 Assess** the effectiveness of financial, operational, and IT controls to ensure integrity, transparency, and accountability in university processes

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- 6.8.2 Recommend process improvements to prevent fraud, inefficiencies, and resource mismanagement.

6.9 Financial Management and Resource Optimization

- 6.9.1 Audit budget allocations, expenditures, and revenue-generating activities to ensure prudent use of financial resources.
- 6.9.2 Identify opportunities for cost reduction and efficient resource utilization

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