Evaluation of internal control of the income generating projects in a state university in Mindanao

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The study aimed to determine the effectiveness of the internal control of the Income Generating Projects, IGPs, in a State University in Mindanao. Internal control is viewed from its five interrelated components – Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. The evaluation process includes describing how compliant the IGPs are to the control practices prescribed by the National Guidance on Internal Control System, NGICS; determining the extent/level of the effectiveness of control; determining the association of the IGPs profile and the extent of the effectiveness of the control; and proposing improvements to enhance the internal control.

Central Mindanao University (CMU), one of the premier State Universities in Mindanao, specifically located in Musuan, Maramag, Bukidnon, was chosen as the locale of the study being the leading State University in Region X in the area of Production. Also, it is the first institution among the State Universities and Colleges (SUCs) in Mindanao to establish IGPs.

Data for the study were gathered through the use of interview aided questionnaires and review of pertinent documents and records. Purposive sampling was used to ensure that only those who were familiar with the operations of the projects were taken as respondents.

Collected data were then coded, tallied, tabulated and analyzed using means, frequencies, percentages, Analysis of Variance (ANOVA), and Multiple Regression Analysis. The study found that the IGPs in CMU are compliant with the internal control practices prescribed by the NGICS standards as results revealed that 17 out of 19 projects posted “Extensively Practiced” and only two projects (Fishpond and Sugarcane) posted moderate compliance result. In terms of the extent/level of effectiveness of the internal control, findings disclosed favorable result as all components of control posted “High Extent” level except for Risk Assessment which obtained mediocre result with “Moderate Extent” level. Further, the study found that there is a significant difference in the internal control practices related to Risk Assessment among the projects. Interestingly, those projects that posted mediocre result in Risk Assessment also performed poorly in terms of income. Also, the study found a strong association between the control element Control Activities and the projects’ budget. However, there is no strong association between the extent of the effectiveness of internal control and the projects’ income and expenses.

The study resulted to the recommendation of the enhancement of Risk Assessment being the weakest link of the internal control of the IGPs. This control provides IGPs the basis for determining how risks should be managed to assess the relative susceptibility of the projects to uncertainties due to internal and external opportunities and threats, conscious or unintended abuse, and misuse of resources, errors or factors which would affect operational efficiency of IGPs.

Keywords: internal control, income generating project, State Universities and Colleges