

Internal Control and Financial Performance of Accounting Firms in Calamba City

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Abstract. Internal control implementation in accounting firms ensures the integrity of financial information, safeguards assets, and mitigates risks, promoting operational efficiency and compliance with regulatory standards. The main thrust of this study was to describe and determine the relationship between the level of internal control implementation and the financial performance of accounting firms in Calamba City. This study employed a descriptive correlational design and utilized a simple random sampling technique to select the sample, enabling the researcher to obtain representatives from the population. With the aid of the G-power sample size computation application, this study came up with 80 respondents based on a 0.35 effect size and 95% degrees of confidence. As the primary data collection tool, a validated researcher-made questionnaire was utilized. The data gathered were collected, tallied, analyzed, and interpreted using four-point Likert scales, mean, and Pearson Product-Moment Correlation Coefficient. Based on the results of the study, the internal control of accounting firms in Calamba City was fully implemented, and their financial performance was very high, with a general assessment of 3.43 and it explained that these accounting firms have a definite process and procedures for assessing financial information of the customers to secure and to maintain good financial performance among other competitors in the market. As an output of the study, a proposed action plan based on the COSO framework was proposed to improve the quality of the control environment, risk assessment, information and communication, control activities and monitoring procedures, and improve the financial performance of accounting firms in Calamba City.

Keywords: Accounting firms; COSO framework; Financial performance; Internal control.

1.0 Introduction

Every organization adopts and follows many policies and procedures, especially those of different businesses that handle the confidentiality of information of clients, internal users, external users, and third-party providers. An organization's ability to exist depends on how well it uses the resources at its disposal. To maximize the use of resources allotted to each employee, the organization's management applies several controls, two of which are internal control and internal audit.

Internal control mechanisms could be used to encourage an individual or a group of people to achieve certain goals. However, they also needed to be able to achieve the objective of encouraging collaboration among people in an organization that had diverse aims. Joelle (2019) cited the Committee of Sponsoring Organizations of the Treadway Commission. She stated that internal controls could only give management and the board of an organization a reasonable amount of assurance, not total assurance. Businesses widely use internal control since it could assist them in achieving their goals and objectives. However, internal control also helped management perform its significant duties and obligations. It highlighted the organization's moral character and ethical principles to keep an efficient internal control system in place.

Meanwhile, Wood (2023) stated that there were many challenges that accounting firms were facing at that time. It was based on their practices that required changes in the workflow and how to integrate technology into the practices. Adaptability and flexibility were the key factors in improving accounting firms' processes and providing quality services to their clients and users. In a world where global interconnection and technological innovation created ever-changing opportunities and challenges, internal audit was crucial to a company's success. Auditors provided valuable insights into operational, business, and strategic risks arising more quickly than ever to organizations. These professionals could stay current by learning new techniques, fostering stronger bonds with others, and utilizing technology.

As the business world becomes more interconnected, entrepreneurs are attempting to increase profits while standing out from the competition. Nonetheless, corporate internal governance occupies a significant space in this context and, regrettably, has to be improved, especially at the legislative level. The internal control frameworks of closed and privatized businesses differ from one another. The lack of authority makes it more difficult for private companies to compete in the market since investors need to be assured that the companies are reliable and able to withstand intense competition.

In the Philippines, the performance of each internal control in the organization has advantages and disadvantages. Not all businesses exercise good internal controls because of the influences of different factors inside and outside the company. One factor is the separation of duties; in larger organizations, it is critical and assigned to different employees compared to small businesses with only limited resources, and it is not a good practice to handle the internal control procedures with one person as it can lead to a greater risk of errors and fraud. Another factor that might have caused a problem was the proper documentation of the process in the organization. An insufficient documentation process could indicate a company's weak internal control system. These internal control components enable the auditor and accountants to properly evaluate the various controls and processes, regardless of whether the firms have implemented them.

In addition, accounting firms had a lot of duties and responsibilities to their clients, whether for internal or external purposes. A group of accounting professionals provided financial management services such as tax preparation, auditing, bookkeeping, advisory services, payroll processing, etc. The International Federation of Accountants (2012, as cited in the study of Joelle 2019), explained that having an effective internal control system would potentially create a competitive advantage over other firms but would also entail taking additional risks. In line with this, many accounting firms offer different services to cater to clients and improve their financial performance. However, there were many problems occurring, especially regarding the proper implementation of internal controls, particularly with big clients who sought to avoid or manipulate financial information to evade responsibilities to the Bureau of Internal Revenue. Aside from this, many accounting firms struggled with financial performance, including profitability, due to the rapidly growing economic status, technological advancement, and firm's services. Measuring profitability was one of the barometers to determine whether these firms were generating profit and utilizing their resources. Many factors gave firms a hard time regarding profitability, such as size, aggressive billing rates, and the impact of audit practice.

Moreover, accounting firms provide reasonable assurance to their clients with the right conduct, especially to the auditors who evaluate this financial information. These firms can have had a lot of possible errors and frauds present in the creation of services for the users, which was a huge reason why this study aims to identify if the implementation of internal controls in accounting firms is being tested and properly used in evaluating the financial information of their clients. The proper implementation of internal control helps the auditors prevent and detect errors and possible frauds existing in financial information submitted by businesses or individuals. It also helps the auditors identify and assess those risks by testing through internal controls. The financial performance level is also a factor; if the services provided are of quality and provide good feedback to the clients, financial performance increases or determines the status of the firm's performance.

To sum up, many studies were conducted about internal control; however, they only focused on implementation in banks, manufacturing firms, local government, and small to medium enterprises. This study gave new information about internal control especially when it focused on accounting firms and whether these functions are being implemented properly and giving the firms good financial performance in the industry. This study also focused on accounting firms in Calamba, Laguna because there were no available studies or information, particularly in Calamba City. Aside from this, this study could also help accounting firms to exercise and implement proper controls and increase their integrity and confidence in serving the public.

2.0 Methodology

2.1 Research Design

The study employed a quantitative research approach and descriptive correlational research methodology. Bhandari (2022) discussed correlational research design, which examines the relationship between variables without necessitating any alteration or adaptation by the researcher. It was also noted that there exist three types of correlation: zero, negative, and positive.

Similarly, as per Creswell (2022), correlation is a statistical test that assesses the likelihood or pattern of regular fluctuations between two or more variables or datasets. The objective of correlational research was to ascertain whether there is a relationship between two or more variables. The goal of this study was to examine the relationship between the amount of internal control and the financial performance of accounting businesses in Calamba City, Laguna. In addressing these concerns, the correlational study design may assist in identifying if the independent factors were linked or correlated with the dependent variable.

2.2 Research Participants

The research participants were composed of auditors with at least 6 months of working experience in their respective current accounting firms. These respondents were selected from different active accounting firms in Calamba City. Regardless of age, gender, marital status, financial standing, and CPA or Non-CPA status, the responses were selected. Auditors were chosen as the primary respondents of the study due to their expertise and experience in the field of accounting within various firms in Calamba City, Laguna. The 80 auditors were selected from 30 accounting firms registered and located in Calamba City.

Auditors employed by accounting firms were tasked with various responsibilities within the accounting process, including verifying the outcomes of financial audits, validating the company's assets and liabilities by reviewing its records and transactions, and ensuring compliance of the company's financial reports with legal and regulatory standards. Additionally, auditors were responsible for monitoring, reviewing, and evaluating management practices, policies, and financial activities of the organization; conducting analytical procedures on the company's account balances and transactions; preparing objective assessments in the final audit report; updating and completing audit questionnaires; proposing new policies and procedures; and assessing whether the company's policies, rules, regulations, and systems were appropriately authorized, complete, valid, and accurately valued.

2.3 Research Instruments

This study utilized the researcher-made questionnaire as an instrument of the study. The facts and information utilized to assemble this questionnaire were collected from numerous readings and relevant research, with the primary purpose being to meet the study's questions. The research instrument had two sections focusing on internal control and financial performance, respectively, to which respondents offered answers based on their experiences in their current affiliations or organizations. The Likert Scale was applied to collect responses to the survey questions in an easy-to-use method for delivery, scoring, and assessment.

The validity of the questionnaire, as well as its structure and design, determined the reliability of the data acquired. To validate the self-made questionnaire, the researcher sought the help of specialists. The researcher engaged the school research expert (1), statistician (1), MBA professor (1), and specialists in the field of an accounting business (2) to ensure that the questions in the survey instrument were clear and legitimate. Based on the response of these experts, the researcher updated the initial instrument and integrated their ideas and suggestions in the improved one. The revision of the instruments was made till all corrections had been incorporated. Moreover, when the comments and recommendations of the experts were included, all of the research experts agreed that all elements in the instrument were essential, resulting in a Content Validity Index of 1, understood as extremely valid. After refining the study instrument, pilot testing was undertaken and administered to 20 individuals outside the target respondents in Calamba City. With the help of the statistician, the results acquired from the pilot testing were put under the reliability test utilizing Cronbach's Alpha Reliability Test. The first component of the instrument reporting internal control implementation level of accounting firms had a Cronbach's Alpha Coefficient of .786, while the second section regarding financial performance level had a Cronbach's Alpha of .771, both regarded reliable. The outcome of the Cronbach's Alpha Reliability Test was deemed satisfactory, which gave the signal to the researcher to administer the study instrument to the actual respondents.

2.4 Data Gathering Procedures

In this research, a letter of request was provided, signed by the researcher, thesis adviser, and the dean of Master in Business Administration, and sent to the accounting firms registered and located in Calamba City. During the conduct of the study, the letter requesting participation from each accounting firm was approved before distributing printed research questionnaires to the target respondents. Additionally, survey questionnaires via Google Forms were also cascaded to different accounting firms in Calamba City. The responses to the research questionnaire were collected, tallied, analyzed, and interpreted to derive conclusions and recommendations. Moreover, this study consulted a statistics expert for the treatment of the gathered information.

2.5 Data Analysis

Using the Statistical Package for Social Sciences (SPSS), the following statistical treatments were used to the study which comprises the mean and the four-point Likert scale were used to describe the Accounting Firms' level of internal control and financial performance level. Pearson product-moment correlation coefficient was utilized to determine the relationship between the internal control implementation and the financial performance of different accounting firms.

With the help of a statistician, all data was evaluated and tested. The responses were tallied, evaluated, and interpreted for conclusions and recommendations.

2.6 Ethical Considerations

This study adhered to ethical guidelines throughout the research procedure, particularly concerning auditors' participation. Key ethical considerations such as confidentiality and permission were observed. Formal consent was obtained from respondents before engaging in any discussions, and they were informed of their right to decline participation, with the assurance that any provided information would be kept confidential and used solely for academic purposes. The study conveyed all pertinent information and its purpose, aiming to obtain respondents' agreement and ensure their comprehension of their role in completing the study. Respondents' privacy was guaranteed by withholding their names and the names of their associated accounting firms, with only necessary data presented to address the research topics. After ensuring the security and privacy of the gathered data, these concerns were addressed per the Data Privacy Act of 2012.

3.0 Results and Discussion

3.1 Implementation of Internal Control of Accounting Firms as Assessed by Auditors in Calamba City

In terms of Control Environment

The Control Environment was Fully Implemented (3.54), which refers to the level of application of internal control of accounting firms as assessed by auditors in Calamba City (see Table 1). All indicators were verbally interpreted as Fully Implemented. Furthermore, the indicator "The organizational structure facilitates communication and coordination among different departments with regard to internal control" obtained the highest computed mean of 3.61. Meanwhile, the indicator "The management's leadership leads by example when it comes to ethical decision-making" had the lowest computed mean of 3.46.

Table 1. Descriptive statistics of the level of implementation of internal control of accounting firms as assessed by auditors in Calamba City in terms of control environment

Indicators	Mean	Interpretation
1. The organization's roles and responsibilities are clearly defined, especially regarding financial oversight and control.	3.60	Fully Implemented
2. The board or relevant committees meet to discuss and review key aspects of the organization's performance and control environment.	3.51	Fully Implemented
3. The firm ensures that oversight and governance activities are transparent and accountable.	3.58	Fully Implemented
4. Appropriate measures are taken to correct misfeasance in the operation of the internal control in the firm.	3.50	Fully Implemented
5. Ethical values and integrity are communicated throughout the organization.	3.56	Fully Implemented
6. The management's leadership leads by example regarding ethical decision-making.	3.46	Fully Implemented
7. The organizational structure facilitates internal control communication and coordination among departments.	3.61	Fully Implemented
8. Training and development programs are in place to enhance employees' skills and knowledge related to their roles in internal control.	3.50	Fully Implemented
General assessment	3.54	Fully Implemented

Legend: 3.25 – 4.00 Fully Implemented, 1.75 – 2.49 Partially Implemented, 2.50 – 3.24 Implemented, 1.00 – 1.74 Not Implemented

The findings show that there are areas for improvement in the ethical leadership demonstrated by the management in the specific aspects of ethical leadership that employees perceive as lacking or needing improvement. In this way, accounting firms can establish and maintain organizational systems and structures that promote efficiency, transparency, and accountability in financial management. These firms need to implement strong monitoring and refining of these aspects to ensure they remain effective and responsive to evolving needs and challenges. On the other hand, the management needed to take proactive steps to strengthen their ethical leadership practices, such as providing clearer guidance, fostering a culture of transparency and accountability, and ensuring consistency in decision-making processes.

Snell and Chan (2023) discussed the process or steps of transforming auditors into more engaged leaders and why this is crucial to the firm's success. It was mentioned that effective leadership entails more than merely establishing reliable procedures and systems and selecting the best candidates. It was about understanding how to cultivate leaders within an organization and defining what constitutes a successful top-down leadership style. Owners of accounting firms overworked or burdened with production chores could not step back, take a break, and recognize when their company needed redirection. Moreover, management had to prioritize practices in developing other leaders, reducing the workload, assisting in setting priorities, and providing more time to oversee the firm to ensure everything was operating.

Roessner (2023) also discussed the leadership style of CPA firms. The benefits of leadership training for employees at all levels went far beyond inspiring colleagues and managing tasks. Investing in leadership development offered significant returns. Ethical decision-making provided by management helped auditors offer opinions and insights on particular situations for

decision-making. On a larger corporate level, more than 80% of firms believed that leadership development was crucial for workers at all levels; however, only 5% of companies provided it. Leadership development went beyond positioning the company for success; it helped auditors recognize their strengths, work on their weaknesses, and share knowledge. This could boost accounting firms' control environment and provide ethical development to ensure that the culture from management to auditors adopts a positive environment that extends to all clients.

In terms of Risk Assessment

Risk Assessment was Fully Implemented (3.40) refers to the level of implementation of internal control of accounting firms as assessed by auditors in Calamba City (see Table 2). Furthermore, the indication "The firm anticipates and assesses the likelihood and severity of risks determined in the risk assessment process." had the highest computed mean of 3.50 verbally translated as Fully Implemented. Meanwhile, the indication "The firm has put in place mechanisms for the identification of critical risks that may result from fraud." had the lowest computed mean of 3.23 verbally translated as Implemented.

Table 2. Descriptive statistics of the level of implementation of internal control of accounting firms as assessed by auditors in Calamba City in terms of risk assessment

Indicators	Mean	Interpretation
1. The firm systematically identifies potential risks that may impact its objectives.	3.46	Fully Implemented
2. There are processes where employees are involved at various levels in identifying risks within their respective areas.	3.43	Fully Implemented
3. The firm has criteria for ascertainment to quantify or qualify the potential impact of identified risks.	3.38	Fully Implemented
4. The firm has established mechanisms for identifying critical risks that may result from fraud.	3.23	Implemented
5. The firm's commitment to installing risk management techniques is being administered.	3.39	Fully Implemented
6. The firm anticipates and assesses the likelihood and severity of risks determined in the risk assessment process.	3.50	Fully Implemented
7. The risk identification process is reviewed and updated to adapt to changes in the business environment.	3.31	Fully Implemented
8. The firm's mechanisms are in place to monitor the effectiveness of implemented risk response measures.	3.48	Fully Implemented
General assessment	3.40	Fully Implemented

This implies that accounting firms are generally diligent in their approach to risk management and that there may be areas for improvement in the mechanisms employed by accounting firms to identify critical risks related to fraud. It can be concluded that accounting firms prioritize the anticipation and assessment of risks, recognizing the importance of proactive risk management practices. By systematically evaluating the likelihood and severity of risks identified through the risk assessment, accounting firms demonstrate a commitment to identifying potential threats and implementing appropriate controls to mitigate them. On the other hand, while accounting firms have some mechanisms for fraud risk identification, there have been perceived shortcomings or gaps in their effectiveness or coverage.

Based on the above findings, Sawle (2024) mentioned the effective fraud risk assessment and how to conduct these steps, especially considering the numerous risks that could be detected within accounting firms. Fraud became a more serious issue that impacted every type of organization, sector, and geographic area. Organizations were estimated to lose 5% of their revenue to fraud annually, according to estimates from the Association of Certified Fraud Examiners (ACFE). Even worse, over half of the loss was entirely avoidable and could be linked to either a breakdown in internal controls or their circumvention. It also discussed how having a fraud risk assessment evaluated profitability. It helped firms implement more effective controls and other preventive measures by assessing the likelihood and impact of fraud risks and how dishonest individuals might try to circumvent current organizational controls. Businesses could improve their risk posture, detect fraud early, and better identify weaknesses by conducting thorough fraud assessments.

In terms of Control Activities

Control Activities was Fully Implemented (3.53), referring to the level of application of internal control of accounting firms as assessed by auditors in Calamba City (see Table 3). All indicators were verbally interpreted as Fully Implemented. Furthermore, the indicator "Policies and procedures are developed to address identified risks within the firm specifically." got the highest computed mean of 3.65. Meanwhile, the indicator "The firm establishes control activities over technology in line with the company's objectives." had the lowest computed mean of 3.44. It implies that accounting firms demonstrate a proactive approach to risk management and communicate well.

Table 3. Descriptive statistics of the level of implementation of internal control of accounting firms as assessed by auditors in Calamba City in terms of control activities

Indicators	Mean	Interpretation
1. The segregation duties are implemented to prevent conflicts of interest and to enhance internal controls.	3.46	Fully Implemented
2. authorization and approval processes are designed to ensure proper control over transactions and activities.	3.54	Fully Implemented
3. Policies and procedures are developed to address identified risks within the firm specifically.	3.65	Fully Implemented
4. The staff are trained to implement the internal control system.	3.48	Fully Implemented
5. The firm ensures that authorizations are granted based on defined criteria and within established limits.	3.56	Fully Implemented
6. The firm manages and communicates changes in roles and responsibilities to maintain effective segregation of duties.	3.55	Fully Implemented
7. The firm's security system identifies and updates information that is aligned with changing business environments and emerging risks.	3.56	Fully Implemented
8. The firm establishes control activities over technology per the company's objectives.	3.44	Fully Implemented
General assessment	3.53	Fully Implemented

It also shows that there are areas where accounting firms can improve in aligning control activities related to technology with the company's overall objectives. It can be concluded that accounting firms customize their risk management framework to the specific risks faced by the firm, demonstrating a commitment to mitigating potential threats and enhancing overall control effectiveness. On the other hand, there are gaps or inconsistencies in how these activities align with the firm's broader goals and objectives. Based on the above findings, Crowley and Balagtas (2020) discussed the design of an internal control system that IT professionals could create to ensure the detection probability of errors and the prevention of editing features. As previously noted, the key controls had to be implemented effectively. In line with this, technology played a major role, as the goal of this control was to provide proper protection and implementation based on the firm's objectives.

In terms of Information and Communication

Information and Communication were Fully Implemented (3.59) refers to the level of application of internal control of accounting firms as assessed by auditors in Calamba City (see Table 4). All indicators were verbally interpreted as Fully Implemented. Furthermore, the indicator "The reporting system consists of advanced technology and tools in place for capturing, storing, and retrieving relevant information." had the highest computed mean of 3.64. Meanwhile, the indicator "The firm ensures that relevant information is accessible to those who need it while maintaining appropriate confidentiality." had the lowest computed mean of 3.53. It implies that accounting firms are proficient in leveraging technology for reporting purposes and ensuring auditors understand internal controls. It also shows challenges or deficiencies in how accounting firms manage the accessibility and confidentiality of relevant information.

Table 4. Descriptive statistics of the level of implementation of internal control of accounting firms as assessed by auditors in Calamba City in terms of information and communication

Indicators	Mean	Interpretation
1. Internal communication is structured to facilitate the flow of information within the organization.	3.59	Fully Implemented
2. All auditors understand the concept and importance of internal controls, including the division of responsibility.	3.63	Fully Implemented
3. Communication within the firm helps to ensure the accuracy and completeness of information captured in its systems.	3.61	Fully Implemented
4. The reporting system comprises advanced technology and tools for capturing, storing, and retrieving relevant information.	3.64	Fully Implemented
5. The firm manages and responds to feedback received through internal communication channels.	3.55	Fully Implemented
6. The firm ensures that relevant information is accessible to those who need it while maintaining appropriate confidentiality.	3.53	Fully Implemented
7. The reporting system is effective and concise, ensuring that important information is communicated consistently and promptly to relevant stakeholders.	3.58	Fully Implemented
8. The firm implements internal control activities when communicating relevant information, objectives, assignments, accountability, and responsibilities.	3.61	Fully Implemented
General assessment	3.59	Fully Implemented

It can be concluded that accounting firms prioritize the use of advanced technology and tools to enhance their reporting systems, enabling efficient capture, storage, and retrieval of relevant information. On the other hand, there is still room for improvement in the processes or protocols employed by accounting firms to safeguard sensitive information while making it available to those who require it for their responsibilities. In line with this, Heller (2022) discussed how technology transformed accounting. New technologies, processes, and steps were renovated, precursors to the computer. This included adopting and

improving different accounting systems that revolutionized business processes. Similarly, accounting had been at the forefront of technological adaptation, frequently out of necessity. Business today is complicated, and the complexity of various transactions with the volume of customers and clients could not be easily handled with manual approaches for storing financial information.

In terms of Monitoring

Monitoring was Fully Implemented (3.52) refers to the level of implementation of internal control of accounting firms as assessed by auditors in Calamba City (see Table 5). All indicators were verbally interpreted as Fully Implemented. Furthermore, the indication “The firm continuously assesses the effectiveness of internal controls on an ongoing basis.” obtained the highest computed mean of 3.63. Meanwhile, the indication “There is overall regular monitoring of the firm's internal control measures.” had the lowest computed mean of 3.43.

Table 5. Descriptive statistics of the level of implementation of internal control of accounting firms as assessed by auditors in Calamba City in terms of monitoring

Indicators	Mean	Interpretation
1. The firm continuously assesses the effectiveness of internal controls.	3.63	Fully Implemented
2. The firm ensures objectivity and independence in conducting separate evaluations, such as external audits or third-party assessments.	3.59	Fully Implemented
3. Monitoring has helped assess the quality of the firm's internal control performance over time.	3.56	Fully Implemented
4. The firm coordinates with external entities during separate evaluations to gather valuable insights.	3.46	Fully Implemented
5. Overall, the firm's internal control measures are regularly monitored.	3.43	Fully Implemented
6. The firm prioritizes and addresses high-priority issues identified during monitoring activities.	3.51	Fully Implemented
7. The firm reports any internal control deficiencies to the accountable parties, including the Board of Directors and upper management.	3.45	Fully Implemented
8. A feedback loop has been established to ensure that lessons learned from corrective actions are integrated into ongoing improvement processes.	3.56	Fully Implemented
General assessment	3.52	Fully Implemented

It implies that accounting firms are diligent in maintaining and enhancing the effectiveness of internal control systems. It also shows that there are areas where accounting firms could improve in terms of consistently monitoring their internal control measures. It can be concluded that accounting firms prioritized the ongoing assessment and monitoring of internal controls to ensure their continued relevance and effectiveness in mitigating risks and achieving organizational objectives. By regularly evaluating the performance of internal controls, accounting firms demonstrate a commitment to proactive risk management and continuous improvement. On the other hand, it implies that accounting firms need to enhance their strategies for systematically and consistently monitoring internal control measures to ensure ongoing effectiveness in mitigating risks and achieving organizational objectives. Gu (2022) stated that financial fraud was present because of a lack of internal control. However, every firm or organization would increase its operations and effectiveness if there was an existing internal control. Inspection and monitoring also helped to better evaluate and test whether these internal controls were being implemented and could help achieve the firms' goals and objectives.

3.2 Financial Performance Level as to Profitability in the Accounting Firms of Calamba City as Assessed by Auditors

Table 6. Financial performance level as to profitability in the accounting firms of Calamba City as assessed by auditors

Indicators	Mean	Interpretation
1. Profit margin fluctuates because of rivalry and inadequate or weak internal control.	3.41	Very High
2. The firm's market share continuously increases and positively influences investor confidence and stock performance.	3.36	Very High
3. The firm's profits are realized regularly.	3.56	Very High
4. The firm's ability to make sales is expanding quickly.	3.50	Very High
5. The customer base is steadily increasing in the operations.	3.55	Very High
6. The firm's internal controls contribute to optimizing resource allocation, reducing waste, and achieving cost savings, which positively impacts profitability.	3.45	Very High
7. The firm's profitability evolved because of improvements or weaknesses in internal controls.	3.35	Very High
8. The firm's income is in great condition to maximize it in other growing investment opportunities contributing to long-term profitability.	3.28	Very High
General assessment	3.52	Very High

Legend: 3.25 – 4.00 Very High (VH), 1.75 – 2.49 Low (L), 2.50 – 3.24 High (H), 1.00 – 1.74 Very Low (VL)

Table 6 demonstrates consistent and regular profitability, which shows there may be perceived limitations or challenges in how accounting firms capitalize on their income to pursue additional investment opportunities for long-term profitability. It can be concluded that accounting firms generally maintained a stable and reliable stream of profits, suggesting effective financial management and operational performance. Regular realization of profits reflected positively on the firm's ability to generate revenue, manage expenses, and sustain profitability over time. On the other hand, there may have been perceived deficiencies in how effectively they leveraged this income to maximize growth and pursue investment opportunities that contributed to long-term profitability. It implies that there is still room for improvement in the firm's strategic planning, financial management, or investment decision-making processes.

Based on the above findings, it was also cited in the study of Ahmed and Ng'anga (2019) that all accountants and auditors evaluated complex transactions that offered good service and positively affected a firm's financial performance for any accounting firm to be successful in its operations. It was also reiterated that both internal and external factors, such as the firm's policy decisions, economic status, and governmental restrictions, impacted profitability. Financial performance was the extent to which a company achieved its financial objectives. A company's performance was evaluated based on its financial performance. The greatest financial and non-financial structures were put in place to gain an edge over rival institutions.

In addition, Leonard (2022) discussed that the firm's management was confident that creating new plans and putting in place stronger, stricter, and more effective internal control systems would boost the firm's ability to turn a profit. Strong internal control systems were assumed to increase a firm's profitability, supporting the growth and stability of the firm. In line with this, it was also mentioned that financial performance was how a business's operations and policy outcomes were valued monetarily. A vital step in enhancing an organization's success was evaluating its financial performance, especially in light of the intricate problems these organizations faced in delivering their services. One way to assess the financial performance of a business is by its profitability.

Moreover, Mohsin et al. (2020) added that financial performance gauged how successfully a company deployed its resources to produce gains and profits for its constituents. Factors such as labor productivity, organizational leadership, and resource utilization affect financial performance. The stability of an organization is influenced by its financial performance. How an organization's finances were handled and documented determined its stability. Management evaluated the pure financial results of its strategies and activities by evaluating the company's financial performance. An organization's financial stability was guaranteed, and it utilized money to direct actions and decisions. Organizations could not achieve their objectives if they did not pay attention to their financial performance. Consequently, they often focused on managing corporate resources in a demanding external environment.

3.3 Relationship Between the Level of Implementation of Internal Control and the Financial Performance Level of Accounting Firms in Calamba City

There was a significant relationship between internal control implementation regarding risk assessment, monitoring, and financial performance of accounting firms in Calamba City (see Table 7). The *r* values ranging from .294 to .467 were generated and interpreted with a low positive correlation to correlate the implementation of internal control and financial performance level. The computed probability values .000 and .008 were lesser than the level of significance ($P < 0.05$); thus, the null hypothesis was rejected.

Table 7. Test of significant relationship between the level of implementation of internal control and the financial performance level of accounting firms in Calamba City

Credit Management Implementation	Financial Performance level	r-value	p-value	Remarks	Decision
Control Environment		0.072	0.527	Not Significant	Accept H_0
Risk Assessment		0.467**	0.000	Significant	Reject H_0
Control Activities	Profitability	0.171	0.130	Not Significant	Accept H_0
Information and Communication		0.195	0.083	Not Significant	Accept H_0
Monitoring		0.294**	0.008	Significant	Reject H_0

**Correlational at the level 0.01, *Correlational at the level 0.05(Two-tailed)

This implies that as the internal control implementation of risk assessment and monitoring of the accounting firms increases, so does the financial performance. Conversely, as the internal control implementation of risk assessment and monitoring of the accounting firms decreases, the financial performance also decreases. In the study of Joelle (2019), it was discussed that both monitoring and risk assessment had a significant relationship with financial performance. In monitoring, since internal controls were procedures, it was generally acknowledged that sufficient monitoring was necessary to evaluate the efficacy and caliber of the system's operation over time. It was monitoring guaranteed that the results of audits and other evaluations were made quickly and that the company's financial performance was assessed. It concluded that monitoring affected audit reviews,

internal control system efficacy, and organizational quality and effectiveness. According to the study's findings, management authorization enabled monitoring, which improved events and transaction monitoring, governance, and resource use inside the company. Moreover, risk assessment was essential for identifying risks in the corporate setting. Risk assessments improved risk evaluation and risk mitigation inside the organization by taking risk factors into account. It also concluded that designing internal controls was important for enhancing the organization's efficiency, effectiveness, and profitability. It supported the findings of Kimotho (2015), Mwangi (2014), Oyoo (2014), Muthusi (2017), and Renox (2017) that risk assessment, as one of the components of internal control, was positively and significantly correlating with performance.

3.4 Proposed Action

An action plan was designed to address the specific areas identified in the study to improve the financial performance of Accounting Firms in Calamba City (see Table 8). Enhanced control environment, risk assessment, control activities, information and communication, and monitoring procedures would be crucial to ensure ongoing improvement of the firm's profitability. The proposed action plan involved the enhancement of existing internal control in giving services to internal and external users. These processes and actions aimed to give more quality and efficiency to the policies and procedures implemented in accounting firms. This action plan improved the overall effectiveness from top to down processes to boost confidence in giving services to clients. Lastly, it involved the knowledge and adaptation of important technological advancements including storage and securing data and information, and conversion of deliverables through system-generated reports. With this, every auditor was guided to the following internal controls implemented and improving the financial performance of accounting firms in Calamba City.

Table 8. Proposed action plan

Key Areas	Objectives	Strategies/Activities	Time Frame	Persons Involved	Source of Fund	Success Indicators
Control Environment	To strengthen the ethical leadership within the firm	Initiative attending different trainings and development	Semi-Annually	Management Stakeholders Auditors	Firms Operating Budget	90% lead by example throughout the firm
		Implement systems to hold leaders accountable for ethical behavior.				
		Provide access to ethics advisors or support networks for consultation when faced with complex ethical issues.				
Risk Assessment Procedures	To improve risk detection within the firm	Conduct a comprehensive evaluation of current risk assessment procedures	Quarterly	Management Stakeholders Auditors	Firms Operating Budget	90-95% implementation of risk assessment procedures
		Utilize innovative technologies such as artificial intelligence and audit risk systems.				
		Enhance collaboration of management and auditors within the firm.				
Control Activities	To leverage digital tools and systems to implement and enforce controls effectively	Utilize technology solutions that align with the identified control requirements such as software applications, cloud platforms, and security tools.	Quarterly	Management Stakeholders Auditors	Firms Operating Budget	85% productivity and security
		Implement continuous monitoring tools that scan networks, systems, and applications for vulnerabilities and				

		security threats in real time.				
		Conduct periodic audits of information access and security protocols to ensure compliance with regulations and industry standards.				
Information and Communication	To maintain a balance between accessibility and confidentiality of information	Prepare a comprehensive audit report documenting the findings, including observations, identified deficiencies, and recommendations.	Monthly	Management Stakeholders Auditors	Firms Operating Budget	85% compliance with security audits
		Learn from the audit process and incorporate lessons learned into future information security				
Monitoring	To enhance monitoring controls	Assess the regular evaluations of procedures to know the inefficiencies that can affect the services Review the firm's current income sources, cash flow, and profitability.	Monthly	Management Stakeholders Auditors	Firms Operating Budget	90% enhanced monitoring processes
Profitability	To widen the investment portfolio of the firm	Rank potential investment opportunities based on their strategic fit and impact on profitability.	Annually	Management Stakeholders Auditors	Retained Earnings	85% optimized revenue diversification

Implementing this proposed action plan could strengthen internal control implementation and enhance accounting firms' overall financial performance while promoting the five components of the COSO framework: control environment, risk assessment, information and communication, control activities, and monitoring sustainable development in Calamba City.

4.0 Conclusions

Based on the findings above of the study, the following conclusions may be derived:

- That the accounting firms in Calamba City prioritize internal control measures to enhance efficiency, transparency, and accountability in financial management by fostering communication and coordination among departments. These firms are vigilant in managing daily risks, emphasizing anticipation and proactive risk management strategies to mitigate potential threats to effectiveness.
- The accounting firms are typically steady and consistent, indicating strong financial performance. Consistent profit realization has a favorable impact on the company's capacity to bring in money, control costs, and maintain profitability over time. Internal control is associated or connected to the financial performance level in terms of profitability. The higher the Risk Assessment and Monitoring implementation, the higher the profitability of accounting firms in Calamba City.
- The proposed action plan is needed to enhance the implementation of internal controls in terms of control environment, risk assessment, information and communication, control activities, and monitoring. This will enhance the efficiency and effectiveness of the firm's operations, leading to good financial performance.
- Recommendations to management and stakeholders of the firm may include training and development programs focusing on ethical leadership aspects like accountability, transparency, and integrity. These programs should offer practical examples and ensure clear and accessible ethical guidelines and policies are regularly updated, led by example, and provide resources and support to promote ethical decision-making.
- Recommendations to firms may include a comprehensive evaluation of their existing investment portfolio and targeting different investing opportunities. Getting advice from qualified financial consultants or investment managers might yield insightful information specific to the objectives and risk tolerance of the company. Furthermore, long-term success depends on teaching stakeholders about the value of diversification and implementing a structured procedure for portfolio review and rebalancing.

- f) Further research may also examine how accounting firms can assess the internal controls located in different provinces or regions, for which there is limited information or studies about the internal controls of accounting firms. In line with this, future researchers may obtain deeper information about these internal controls from other businesses.

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This paper has a single author who confirms that the author reviewed this study.

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