

COA: Moving Forward with GWSPA

A Case Study

I. Background

A. Overview of Performance Auditing of COA

The Philippine Commission on Audit (COA) was the country's supreme state audit institution. The 1987 Constitution declared its independence as a constitutional office, granted it powers to audit all accounts pertaining to all government revenues and expenditures or uses of government resources and to prescribe accounting and auditing rules, gave it exclusive authority to define the scope and techniques for its audits, and prohibited the legislation of any law which would limit its audit coverage.¹

Based on the 1978 State Audit Code, COA described its audit as basically comprehensive and was categorized as follows based on three objectives:²

Compliance audit — to determine if transactions comply with government auditing laws, rules, and regulations;

Financial audit — to determine whether financial statements fairly reflect the financial position and results of operations of audited agencies in accordance with government accounting and auditing standards; and

Performance or Value-for-Money (VFM) audit — to determine whether value is derived from public resources spent by public administrators. This is traditionally called performance audit and sometimes called 3Es (efficiency, economy, and effectiveness) audit.

Thus, since 1978, COA already had the mandate to conduct performance audits. This mandate was reinforced in the 1987 Constitution, which explicitly provided for COA to recommend measures necessary to improve the effectiveness and efficiency of agencies or entities subject to its audit. In addressing the Constitutional Commissions, the Constitution provided in Article IX, Section 4 for COA to report to the President or Congress recommending

¹ www.coa.gov.ph, COA's official website

² Assessment Report (by Stanton Partners)

measures necessary to improve the effectiveness and efficiency of agencies or entities subject to its audit.³

Further, COA's Vision crafted in 1994 states: "We ... are committed to support the pursuit of progress and a better life for our people ... We fulfill this commitment ... by giving our people the assurance that they get value for their money"⁴

Notwithstanding COA's mandate and vision, COA has not developed performance audits to the same extent as the USA, UK, Canada, and Australia, for example. In the mid-1980s, COA undertook agency performance audits. Also, COA's compliance audits addressed the economy measures that have been detailed in the accounting rules and regulations. However, COA devoted a relatively small percentage of its audit efforts to other aspects of performance audits. One director estimated that 80% of the audit effort is directed to its "allowance" and "disallowance" mandate, 10% to financial statement audit, and less than 10% to performance audits.⁵

Box A: Seven Broad Functions of COA under the 1978 State Audit Code

- Auditorial* — including to settle all accounts
- Rule-making* — both accounting and auditing
- Reportorial* — annual report to the President, Congress, and others on the financial condition and operations of the government and its agencies, etc.
- Recommendatory* — on measures to improve the efficiency and effectiveness of government operations
- Limited Accounting* — to keep the general accounts of the government
- Custodial or archival* — of vouchers or documents evidencing transactions
- Other functions* — as may be provided by law

An independent assessment⁶ of performance audits of COA found that these performance audits focused largely on economy and efficiency matters. There had been some but a significantly lesser focus on effectiveness issues. There were aspects of various "agency" performance audits that could be criticized-- some of the audits were relatively small in size, the audit objectives seemed opportunistic, and some objectives and treatments seemed simplistic.⁷

³ Assessment Report, op. cit., p. 6

⁴ *ibid.*

⁵ Assessment Report, op. cit., p. 7

⁶ This independent assessment was conducted as part of the Enhancing the Public Accountability of COA: GWSPA Project

⁷ Overview Report, GWSPA Project, Stanton Partners, p. 1

In 1998, COA adopted the Government-Wide and Sectoral Audits (GWSA) as new audit approaches via Resolution No. 98-005. COA defined the two terms in Audit Memorandum 99-08 as: ⁸

Government-wide audit — the simultaneous examination of the management function or activity in a number of government agencies (such as the Management of the Loaning Operations of DBP, LBP, CBP, HDMF, GSIS, SSS); and

Sectoral audit — the audit of programs or activities that are delivered by more than one government agency (such as the Agrarian Reform program which is primarily implemented by the DAR and LBP)

The bases for the policy was COA's belief that government-wide and sectoral audits could have a major audit impact due to the nature of the issues that they could address and their possible focus on accountability at the highest level of government. Government-wide audits could also have a significant impact on the cost of government through the sheer volume and value of the functional transactions that government must undertake. Sectoral performance audits, on the other hand, could and should address performance in the major activities of government and at the highest levels of government. ⁹

COA Memorandum 99-008 established a Steering Committee for GWSAs. It was comprised of the six directors heading the National Government Audit Offices I & II, Corporate Audit Offices I & II, Local Government Audit Office, and the Public Debt Office. ¹⁰

In line with the GWSA policy, COA targeted one government wide and on sectoral performance audit to be conducted per year. Since the GWSA policy was introduced, the following three topics have been initiated as government wide audit and sectoral audits: ¹¹

1. National Centennial Celebration Project expenditures
2. Consolidation and Validation of the Military Camps Sales Proceeds Fund (MCSPF) - Fund 170 for calendar years 1995 to 2000
3. Mt. Pinatubo Funds

⁸ Assessment Report, op. cit., p. 8

⁹ Final Report, GWSPA Project, Stanton Partners (April 2003), p. 9

¹⁰ Assessment Report, op. cit. p. 9

¹¹ *ibid.*, p. 10

However, two years since COA adopted the GWSA policy, work on these audits had not been completed and final reports on these audits had not been released. Also, the target number of GWSA audits set every year was not met.

These indicators highlighted an area for improvement with regard to COA's ability to enforce its constitutional mandates, particularly in the area of public accountability through performance audit. Given that performance auditing was viewed as a key accountability mechanism with the aim of strengthening the accountability framework as well as encouraging and assisting government agencies to develop and implement better practices, COA saw the need to revisit and reassess its practices in performance auditing against its mandate and vision. It was in this light that the project '*Enhancing the Public Accountability Programme of the Philippine Commission on Audit: Government-wide and Sectoral Performance /VFM Audit (PHI/97/022)*' came to be.

B. Project Profile

The COA, supported by the United Nations Development Programme (UNDP) and the National Economic Development Authority, had undertaken a fully-funded UNDP Project entitled *Enhancing the Public Accountability Programme of the Philippine Commission on Audit (COA): A Preparatory Assistance (EnPAP)*, with the objective of improving the capability of COA to effectively discharge its constitutional mandates of enforcing public accountability. This EnPAP project resulted in the identification of certain reform measures contained in one of its major reports, *A Framework and Strategy for Reform for the Philippine Commission on Audit*, which was adopted by the COA Commission Proper in 1999 under COA Resolution 99-012.

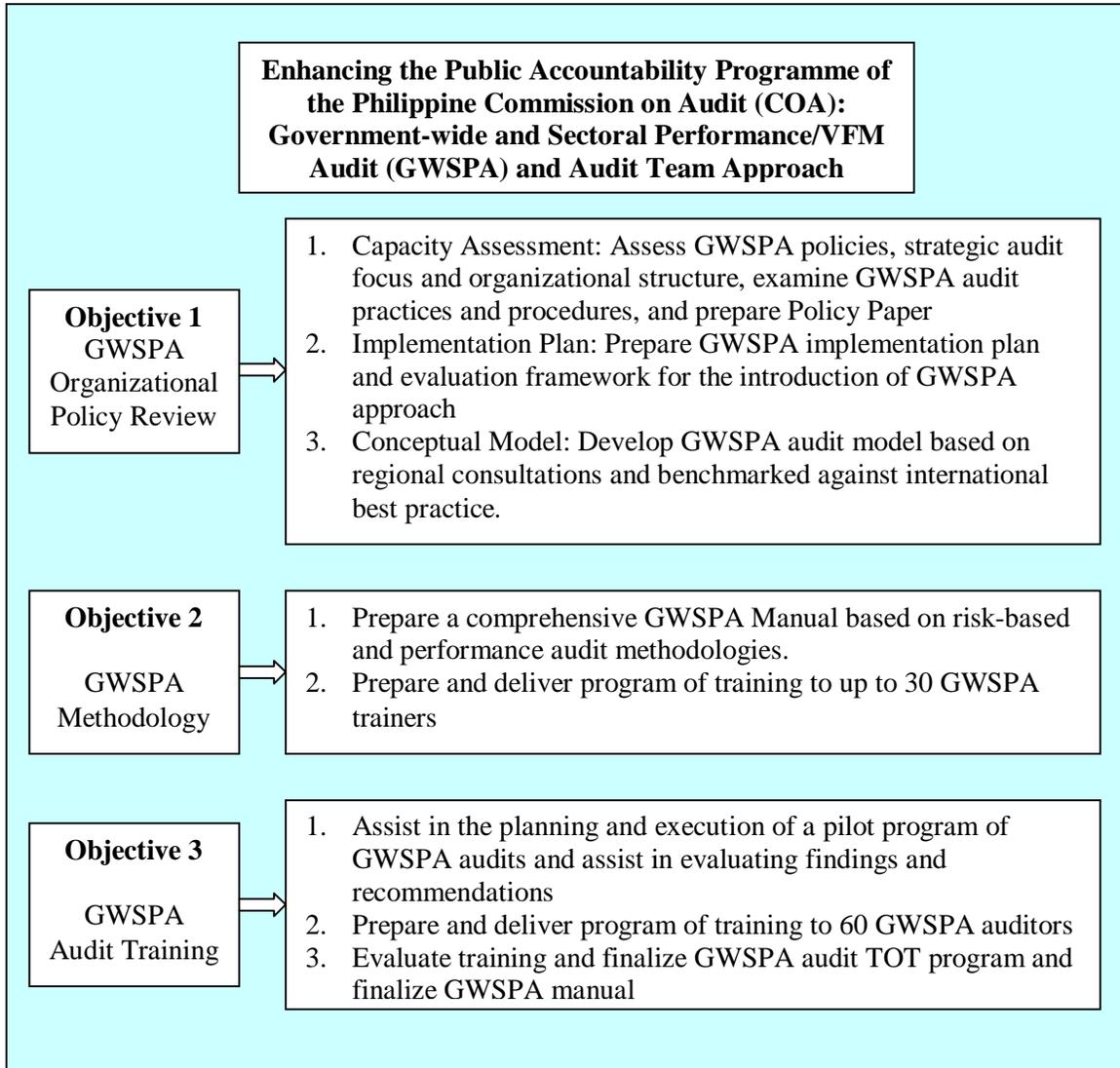
One of the projects undertaken under the said program was an AusAID-UNDP funded project entitled *Enhancing the Public Accountability Programme of the Philippine COA: Government-wide and Sectoral Performance/VFM Audit (GWSPA) (PHI/97/022)*.

This technical assistance was to aid the Commission's exposure to, and understanding of, performance auditing through a policy review, program of training, and a program of pilot audits of specific government programs, leading to an audit reform. COA agreed during the project that the methodology will be called value-for-money (VFM) audit rather than performance audit.¹²

¹² Final Report, GWSPA Project, Stanton Partners (April 2003), p. 1

The GWSPA project’s main goal was to enhance the public accountability program of COA through the development and strengthening of GWSPA, an audit approach which matters and adds value. The project activities were intended to examine the economy, efficiency and effectiveness by which government’s resources are being used on a government-wide and on sectoral level.

Specifically, the project objectives, scope and deliverables were as follows:



The primary partner in the GWSPA project was the UNDP--the United Nation's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life.

One of UNDP's substantive foci was helping countries build and share solutions, specifically to the challenges of democratic governance, i.e. to develop institutions and processes that are more responsive to the needs of ordinary citizens, especially the poor. UNDP built partnerships and shared ways to promote participation, accountability and effectiveness at all levels of the government.¹³

The technical assistance provided by UNDP was substantially complemented by the experience, expertise and resources of the Government of Australia through the Australian Agency for International Development (AusAID).

The Australian Government has been helping the Philippine Government in initiating economic, policy, and governance reforms in the country, believing that "economic reform and good governance are essential for attracting investment, encouraging economic growth, and stimulating greater gains in poverty reduction."¹⁴

The consultancy contract was awarded to the Stanton Partners, an Australia-based accounting firm whose portfolio of services includes audit and assurance services, providing its clients with value-for-money audits and professional advice and solutions to improve controls, accounting systems and performance.

Since 1978, Stanton Partners has managed various bilateral and multilateral development activities in the capacity building of governance systems in areas such as customs, revenue, audit and human resource management. The firm's main area of governance expertise has been on the institutional strengthening of supreme audit institutions, programs for which have been delivered in other countries like Azerbaijan, Indonesia, Fiji, Papua New Guinea, Maldives, Thailand and Solomon Islands.¹⁵

¹³ www.undp.org, UNDP's official website

¹⁴ www.usaid.gov.au, AusAID's official website

¹⁵ www.stanton.com.au, Stanton Partners' official website

A simplified consultancy team was mobilized to provide inputs at those stages where the VFM audit experience was critical. These stages were the preparation of the GWSPA implementation plan and the conceptual model, and secondly, the preparation of the GWSPA methodology manual and training manual, training of GWSPA auditors, and development and monitoring of the pilot audit teams.¹⁶

The GWSPA resource team of Stanton Partners was composed of Keith Lingard as Project Director and Partner-in-Charge, Neville Smith as Resource Consultant, and Performance Audit Specialist Sharon Winks serving as the trainer.

II. Description of Key Phases of the GWSPA Project

A. GWSPA Organizational Policy Review

The GWSPA project kicked off via the signing of the Consultancy Agreement between UNDP and Stanton Partners for the provision of services on December 21, 2001 at the COA Central Office, Quezon City. The Notice to Proceed was issued by COA to the consultancy firm on January 7, 2002 for the commencement of its services.

Laying the groundwork of the project, Stanton Partners underwent a review of COA's GWSPA organizational policy. This included the following major phases:

A.1. Capacity Assessment

On January 14, 2002, Mr. Smith commenced consultancy services in Manila for an initial two-week survey of COA's GWSPA organizational policy. He returned to the Philippines on February 10 to continue assessing its GWSPA capacity, ending his consultancy work on May 10, 2002.

On April 24, 2002, Stanton Partners presented the overview and assessment reports, proposal on revised policies and implementation plan, monitoring and evaluation system, and conceptual framework of proposed GWSPA model to UNDP and COA's GWSPA Steering Committee.

¹⁶ Final Report, GWSPA Project, Stanton Partners (April 2003), p. 2

In its review, Stanton found out that COA's audit focus and practices have been conditioned by:¹⁷

- its consolidated audit reports – aggregation of what is available,
- the allowance and disallowance aspects of its audit mandate – focus on detail, low monetary materiality,
- its regional audit structure – “independent” regional directors,
- the initiation of a comprehensive audit approach in the 1980s – a requirement for a VFM audit each year,
- the segregation of performance audit reporting in the late 1990s – additional reporting pressure, with some not yet having adopted a reporting-for-stakeholders approach,
- time-based engagements – may act against “ownership” consideration, and
- the resources available within COA – resource may need to be had to specialists on some aspects of agencies' operations.

Also, Stanton Partners stated that COA staff has the general technical knowledge to undertake VFM/performance audits, though auditors should move further to give more consideration to:¹⁸

- the purpose to be served by a specific performance audit,
- accountability considerations, including who can bring about change as a result of an audit report, and
- means of extending beyond auditor's present comfort zones.

COA, however, has been undergoing changes in its organizational structure that had the potential of removing some constraints in the performance of GWSPA, such as its shift from a regional to a “cluster” structure; the assumption of COA's Legal and Adjudication Unit of “disallowance” function based on appeals from agencies; and the expansion of the services of the Special Audit Office [or SAO, now Management Services (MS) Office] to include operations and management audits.

¹⁷ Overview Report by Stanton Partners

¹⁸ Overview Report, loc. cit.

With these findings, Stanton Partners was able to identify four key considerations in the conduct of GWSA, namely: ¹⁹

- “needs for use” audit objectives (focus) and scope of audit,
- timeliness of the audit,
- “ownership” during the audit (going beyond responsibility for an audit to caring and taking the necessary decisions and actions to resolve the issues that will arise in a GWSPA such that the audit meets used needs), and
- reporting for stakeholders

These key considerations became the bases for the design of the implementation plan and the conceptual model for GWSPA.

A.2. Regional Consultations

Consultations were made alongside with other policy review activities to further assess COA’s capacity to undertake GWSPA. These were held in COA Central Office (National Capital Region), including two groups of auditors from Region III, and in Cordillera Administrative Region, Region VIII and Region X.

The results were consistent across the regions (i.e. regional auditors lack GWSPA experiences) so further consultations were not held in other three regions as initially proposed by UNDP. The comments from participants highlighted the need for a strategic approach to the conduct of GWSPA and ongoing training and development of staff both through workshops and pilot audits. ²⁰

Approximately 110 auditors were able to attend the consultative meetings, in which the major issues raised were incorporated in Stanton Partners’ assessment of COA’s GWSPA policies, strategic audit focus and organizational structure, audit practices and procedures, and in the preparation of the GWSPA policy paper.

A. 3. Conceptual Model and Implementation Plan

The Stanton Partners developed a conceptual model for COA GWSPA similar to COA’s model for “agency” performance audits and the model advanced in the 5th ASOSAI Research Project *Performing Auditing Guidelines*, October 2001, and on which state audit institutions generally base their practices.

¹⁹ Overview Report, loc. cit.

²⁰ Final Report, GWSPA Project, Stanton Partners (April 2003) p. 5

The conceptual framework customized to COA's peculiar situation is modeled as follows: ²¹

The Customized GWSPA Model

<p>Strategic Planning and Preparation Stage [Including aspects of the Preparation Stage]</p>	<p>Identify potential Government-wide and Sectoral Performance Audits</p> <p>Rank and select GWSPA topics based on potential audit impact</p> <p>Understand the subject area</p> <p>Identify agencies where functional areas (government-wide audits) or program/project area (sectoral audits) will be examined</p> <p>Determine audit objectives, scope and audit criteria to be applied, benchmarked against international best practice as appropriate</p> <p>Commission the audit</p>
<p>Implementation Stage [Including aspects of the Preparation Stage]</p>	<p>Understand the subject area</p> <p>Confirm audit objectives, scope and audit criteria to be applied</p> <p>Prepare audit programs</p> <p>Collect audit evidence</p> <p>Analyze and evaluate evidence</p> <p>Develop findings, conclusions, and recommendations for reporting</p>
<p>Reporting Stage</p>	<p>Report for stakeholders, including the President, Congress, the auditees and the public</p>

²¹ Conceptual Framework Report, GWSPA Project, Stanton Partners, p. 2

Follow-up Procedures	Identify and document audit impact Progress of agencies, etc. in implementing Recommendations
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Identifying the areas in various government agencies that might warrant GWSPA, Stanton Partners expected that:²²

Government-wide performance audits would be predominantly economy and efficiency audits, though they might address the effectiveness with which a function is performed. Government-wide audits should also address the effectiveness of the auditing and accounting rules that COA promulgates to prevent irregular, unnecessary, excessive, or extravagant expenditures or uses of government funds or property. If these are not addressed, the resulting audit will necessarily be a compliance audit and not a performance audit.

Sectoral performance audits would be predominantly effectiveness audits. This may be effectiveness without audit considering cost or it may be effectiveness at an acceptable cost or lower cost and not necessarily at least cost. Sectoral performance audits may include economy and efficiency considerations. However, it would be unfortunate if economy and efficiency issues were permitted to predominate in sectoral audits at the expense of effectiveness considerations.

An implementation plan for GWSPA was also developed taking into account of the underlying issues discovered during the policy review, namely:

- (1) the need for policies and practices to be written in a manner that conveys the intended meanings to concerned staff and parties effectively;
- (2) the completion of trainings and pilot audits by participants at separate times;
- (3) the need of the draft manual to be presented to participants, subjecting it to modifications as the capability-building progresses; and
- (4) the necessity for COA to proceed with the GWSPAs even though the second set of pilot audits has not yet ended.

²² Conceptual Framework Report, op. cit., p. 9

A.4. COA Study Tours to SAIs

In May 2002, study groups composed of COA officials and auditors returned to Manila after visiting the United Kingdom, United States, and Australia. The conduct of these three overseas study tour visits to supreme audit institutions (SAIs) of the UK, US and Australia was part of the Capacity Building Project to enhance the capability of COA to conduct GWSPA. The objective of the visits was to review and analyze the applicability of international practices in performance auditing to the capacity building of GWSPA in COA.²³

As originally proposed, the study tours were to be undertaken in 2002 and completed prior to the development of the conceptual model, with the tour reports to be made available during the completion of the organizational policy review. This way, the experiences of these groups would be considered in the development of the GWSPA model.

According to Stanton Partners, the delay in the conduct of the study tours did not materially affect the delivery of the project. In fact, the delay provided opportunity for Stanton Partners to have extensive consultation and input to the planning of the study tours and facilitated a more targeted approach to the research tours undertaken.²⁴

The participants to the study tours presented verbal and draft written reports on their experiences and the application of what they have learned to Stanton Partners and during the GWSPA workshops for incorporation in the methodology.

The Evaluation Report on Study Tour Reports of COA officials and auditors were presented to Operational Taskforce and Stanton Partners on June 10, 2002. All groups indicated that the study tours were extremely useful in providing suggestions for COA on how to implement an effective GWSPA function.

²³ Study Tour Review and Report, July 2002

²⁴ *ibid.*

The Study Tour Groups highlighted the following recommendations for COA to consider in its implementation of GWSPA:²⁵

- Dedication of full time staff to the conduct of performance auditing removing them from the responsibility of undertaking financial and compliance auditing
- Strengthening of strategic planning, particularly the selection of audits designed to have greatest impact
- Use of multi-disciplinary teams, panels of experts and contracting of audit services to supplement current resourcing and provide expert advice and feedback
- Adoption of positive approach that encourages cooperation with auditees and promotion of better practices
- Strengthening of quality assurance and feedback mechanisms providing the opportunity for the timely adoption of lessons learnt and better practices
- Development of detailed processes and procedures covering each stage of the audit, electronic documentation and provision to staff
- Establishment of a Public Accounts Committee of the Parliament/Congress and Audit Committees in agencies dedicated to the review and follow-up of COA reports and recommendations
- Enhancement of the reporting function to provide professional and ultimately readable audit reports to congress.

After reviewing the study tour reports, Stanton Partners provided its analysis to COA on July 10, 2002. The key recommendations of the study tour groups were consistent with the approach and detailed processes being developed in the draft GWSPA manual and undertaken through the training and pilot audits, confirming the project approach and methodology as international best practice applicable to the Philippines.²⁶

B. Capacity Building

With the conceptual model and implementation plan in place, the aspect of the project designed to build the capacity of COA auditors to conduct GWSPA was ready to go.

²⁵ *ibid.*

²⁶ Final Report, GWSPA Project, Stanton Partners (April 2003) p. 6

The capacity building activities were designed in two-folds:

- (1) Development of GWSPA Methodology through the preparation of the GWSPA manual and the preparation and delivery of program of training to GWSPA trainers
- (2) Conduct of GWSPA Audit Training that included the planning and execution of the pilot program of GWSPA audits and assisting in evaluating finding and recommendations; preparation and delivery of program of training to 60 GWSPA auditors; and evaluation of training and finalization of GWSPA audit TOT program and GWSPA manual.

Tasked to facilitate the preparation of a GWSPA manual on audit methodologies and programs of trainings and pilot audits to both COA trainers and auditors, Sharon Winks commenced her consultancy duties on April 22, 2002.

COA took the task of identifying the participants to the *GWSPA Project*. According to Asst. Comm. Florida Creencia, there were no formal criteria in choosing the trainees. COA Directors were the ones who recommended auditors who have had some experiences in VFM audits. According to her, the first batch came from the offices at the national, local and corporate sectors.

Winks clarified that the logic behind choosing state auditors and agency auditors from the national and regional offices as participants was so COA would have an option to pull other people in from other agencies for the GWSPA audits if necessary.

When the Management Services Office was instituted in the middle of the series of capacity building training (see section III for the details of the MS office in relation to the GWSPA project), all staff of the MS office was made to undergo the GWSPA audit training.

B. 1. GWSPA Manual

Based on the detailed processes required to implement the conceptual model, the GWSPA manual was developed by Stanton Partners and further enhanced alongside the capacity-building activities, including the study tours and initial organizational review, so inputs, experiences and feedback of auditors would be incorporated into the manual. The manual served as the key document for COA in the conduct of GWSPA and provided basis for the ongoing training and development of COA auditors.²⁷

²⁷ *ibid.*

In August 2002, a draft of the GWSPA manual was presented to the COA focal groups and persons for review. The consultancy firm received valuable feedback from the Steering Committee, Project Management Team, pilot audit teams and other COA staff on improvements on the draft manual in October and November. The major focus of discussion was on the reporting stage which was being undertaken by the first pilot audit groups at that time.²⁸

The final draft of the manual, reflecting the various experiences and issues that transpired during the capability-building activities, was submitted to COA in February 2003. The development of the manual effectively used consultations and feedback mechanisms with COA to ensure ownership on the part of the project beneficiary.

Winks emphasized that the manual had to be periodically reviewed and updated to maintain its relevance and effectiveness. (See Attachment A for the contents of the GWSPA Manual and the course outline of the GWSPA Training Manual)

B.2. Training of Trainers (TOT)

On April 29-30, 2002, the first batch of trainers (17 participants) underwent the TOT workshop, the project's initial capability-building activity aimed at strengthening the skills of the participants in developing and presenting GWSPA training workshops, and in increasing the confidence of the participants in presentation techniques. The workshop was a mixture of lectures, group discussions, case studies, and feedback forums. The second batch had their turn on May 16-17. The participants to both TOT workshops were resident auditors of different government agencies from various regions of the country. Upon completion of the TOT workshop, the participants automatically proceeded to the GWSPA methodology workshop.²⁹

The workshops facilitated the extension of the participants' training skills while encouraging them to question why they were doing VFM audits and what the anticipated impact was. Participants were encouraged to work outside their comfort zones, particularly in practicing facilitation. The workshops allowed the participants to interact and develop a team approach to their work, which was essential if they were to work together on the pilot audits and ongoing trainings of COA staff.³⁰

²⁸ Final Report, op. cit., p. 7

²⁹ 1st Quarter GWSPA Process Documentation Report, Laya, page2

³⁰ Final Report, GWSPA Project, Stanton Partners (April 2003) p. 8

Stanton Partners developed a training manual, the contents of which were as follows:

- Executive Summary
- GWSPA Workshop Program
- Presenters' Introduction
- Resourcing the Workshop
- Workshop Preparation for Presenter
- Workshop Preparation for Participants

The manual also contained a detailed description of the module for each day of the training (for 5 days)—each module contained the learning objectives, timing and presenters' introductions.

This training manual was complemented by the GWSPA manual (see section II.B.1. for details on GWSPA manual) that provided the technical guidance and description of processes required for the conduct of GWSPA. Thus, the training manual actually paralleled the contents of the GWSPA manual.

This manual was used by a small group of COA auditors (participants in the 1st batch of GWSPA methodology workshops) who assisted Ms. Winks in presenting the GWSPA workshop to COA auditors during the last training held in November 2003. The presenters were provided with feedback on areas to strengthen in their presentation and assisted with additional information on international better practice.³¹

According to Stanton Partners, the approach it took to trainer development recognized the importance of not only technical knowledge and provision of manuals but also skills development under supervision, to the effectiveness and credibility of audit presenters. The project combined all of these elements to provide a sound capacity to undertake training in GWSPA.

³¹ Stanton Partners Final Report, 2003, p.9

B.3. GWSPA Audit Training: Methodology Workshops

To further develop the staff's skills, understanding and experience of the GWSPA, a GWSPA methodology workshop was conducted for the second batch of TOT participants on May 20-24, 2002. This five-day workshop was intended to present key concepts, terms and issues concerning government performance audit in the Philippine setting. At the end of the workshop, participants were expected to have a comprehensive knowledge on GWSPA, enhanced skills in GWSPA techniques, and stronger GWSPA competencies. The participants of the first TOT took the methodology workshop on June 17-21.

Box B: Schedule of GWSPA Workshops

Train the Trainer Workshop	
April 29-30, 2002	Batch 1 (15 trainees)
May 16-17, 2002	Batch 2 (17 trainees)
Methodology Workshop	
May 20-24, 2002	Batch 2 (20 trainees)
June 17-21, 2002	Batch 1 (17 trainees)
July 9-12, 2002	Batch 3 (28 trainees)
November, 2002	Batch 4 (14 trainees)

When the Management Services Office was established in July 2002, Creencia, who was concurrent Director of the MS Office at that time, suggested that an additional workshop be conducted for the staff of the MS.

As Winks recounted: "As soon as the restructuring was in place, Director Florida Creencia³² and Chairman Carague came to me and said that since the Management Services office was taking care of GWSPA, some of the staff should be trained".

Thus, on July 9-12, 2002, twenty-eight (28) of the MS staff underwent another GWSPA Methodology Workshop. The rest of the MS auditors were trained in the same workshop in November 2002, in which a GWSPA workshop training manual prepared by Stanton Partners was used.

The inputs derived from the conduct of the TOT and GWSPA methodology workshops were included in the development of the GWSPA manual. Moreover, said workshops were designed to serve as take-off points for the mobilization of pilot audits.

As Winks explained, the workshop as a preparation for the pilot audits did two things—introduced them to a new process and gave the participants a technical basis and it challenged the way people think.³³

³² Dir. Florida Creencia was promoted to Assistant Commissioner in December, 2002.

³³ Audits with Impact: A Case Study on COA's GWSPA Pilot Audits, KPMG (January 10, 2003)

“GWSPA auditors need to get information on certain areas, they need to evaluate it a certain way, come up with conclusions and they need a process to do that. And the training gives them the process,” Winks expounded on the technical aspect that the workshop provided.³⁴

B.4. GWSPA Audit Training: Pilot Audits

Armed with the theoretical knowledge from the GWSPA methodology workshop, participating COA auditors were now ready to apply what they have learned through the conduct of actual GWSPA pilot audits.

Consistent with the conceptual model developed for GWSPA in COA, an adhoc Strategic Planning Pilot Audit (SPPA) Group was established on June 10, 2002 under COA Office Order No. 2002-274. Six of the eleven members of the SPPA group were selected from the participants of the May 20 to 24, 2002 GWSPA Methodology Workshop (2nd Batch) while the rest were selected COA auditors who attended training/seminars abroad. For a period of two weeks, the SPPA team undertook the strategic planning (SP) process.³⁵

Tasked to develop the strategic audit plan for the proposed pilot audits under its GWSPA thrust, the SPPA group identified 12 audit topics (six Sectoral and six Government-Wide) and these were presented to the COA Management Committee on June 27 for review and endorsement. The group’s plan provided helpful inputs and direction to the pilot audits held under the project.

Initially, the SPPA group identified two sectoral audits and one government-wide audit to start in July 2002. For sectoral audits, the housing program (access to affordable and decent shelter) and agriculture (self-sufficiency in rice production) were identified. The garbage collection and disposal system was the function chosen for the government-wide audit. Two more pilot audits were scheduled in November 2002. (See Attachment B for the list of pilot audits conducted and the corresponding audits focus and agencies covered.)

However, the inclusion of the staff of the Management Services Office in the audit training necessitated the addition of another pilot audit over the original proposal of three pilot audits to be conducted in July 2002 and two in November 2002, or a total of five pilot audits. Stanton Partners agreed with COA on the additional pilot audit to provide for further practical experience for the newly appointed staff of the MS Office.

³⁴ *ibid.*

³⁵ *ibid.*

Thus, pilot audit on the textbook program (sectoral) was added to the list of pilot audits. The choice was largely influenced by the fact that this pilot audit would be assigned to the GWSPA-trained auditors of the Management Services Office and the auditors that would comprise the team had already, in fact, surveyed this area as part of its performance audit.

July 16, 2002 saw the kick-off of the pilot audits of the *Textbook Program* of the Department of Education/DepEd (sectoral audit) and the *Solid Waste Management* of the Metro Manila Development Authority (MMDA) and ten other local government units (government-wide audit).

Led by Susan Garcia³⁶, the DepEd team was composed of 13 auditors belonging to the third batch of GWSPA methodology workshops. Their audit objective was to assess whether the implementation of the SEMP and Special Education Fund have been effectively managed to contribute to the effective achievement of the government's objective of providing quality education through the provision of textbooks considering the determination of total textbook requirements and distribution.³⁷

Evelyn Reyes led the team investigating the solid waste management program, with 11 other auditors under her watch. Their aim was to determine whether the Solid Waste Management's garbage collection function of selected agencies is undertaken in the most efficient and economical manner.³⁸ Their audit was the only government-wide audit among the four initial pilot audits deployed.

The pilot audit on *Socialized Housing Project* (sectoral audit) commenced on July 22, 2002, employing a "power team" of mostly COA unit heads with Auditor Isabel D. Agito leading the team. Their audit objective centered on determining whether the socialized program of the government has been effective in achieving its objectives of providing shelter security to the targeted low-income group.³⁹

On July 29, 2002, the pilot audit on the *Provision of Communal Irrigation Systems* in support of the *Rice Sufficiency Program* of the Department of Agriculture (sectoral audit) took off. Headed by Adela Dondonilla, the eight-member audit team aimed at evaluating whether the targets set for the

³⁶ A COA auditor since 1980, Ms. Garcia has been doing performance audits under the then Special Audit Office. She became the OIC Assistant Director of MS Office in September 2002.

³⁷ Audits with Impact: A Case Study on COA's GWSPA Pilot Audits, KPMG (January 10, 2003), p. 13

³⁸ Audits with Impact, op. cit., p. 17

³⁹ Audits with Impacts, op cit., p. 21

construction and rehabilitation of Communal Irrigation System (CIS) project under the *Balikatan Sagip Tubig* have been effectively achieved through sound planning and comprehensive monitoring processes.

In original timeframe, these pilot audits should have been completed in October 2002. However, the deadline was moved and all four pilot audits were completed in December 2002.

One government-wide audit (performance reporting) and one sectoral audit (polio immunization program) were conducted in November 2002. These audits were conducted by Management Services Office staff who were trained in the GWSPA Methodology also in November, 2002.

The two audits focused on the *Polio Immunization Program* of the Department of Health (sectoral audit) and on *Government Reporting System* (government-wide). Covering nine agencies, the polio team was composed of 11 auditors led by Emma Racelis, while the reporting system group involved nine members with Nelia Villeza at the helm. Both teams embarked on the execution phase from January to March 2003. As of July 2003, report consolidations were still underway.

According to Winks, the last two pilot audit teams had an edge -- they learned that one major problem of the previous audits had been report writing and analysis, and that became the focus for improvements for these teams. Another advantage was that Susan Garcia, Acting Assistant Director of MS Office, who led the textbook program audit, implemented improvements based on the experiences of the four pilot audits conducted in July 2002.

In an interview in July 2003, Emma Racelis said that her team was not part of the strategic planning in July 2002. Thus, they found out later on that it would have been better if the audit was on the whole immunization program of the DOH instead of just focusing on polio since this is just a part of a bigger program. Extracting information on the polio program proved difficult since all documents were about the whole immunization program.

Nelia Villeza's team, on the other hand, was supposed to analyze data contents of the reporting system but those audited had no outcome indicators. She said that they found it difficult because the team did not have the expertise on reporting systems and developing performance indicators. She opined that they should have had included a consultant who was an expert on developing a model of indicators to help them out.

The two audit supervisors found the three phases of GWSPA (i.e. planning, execution and reporting) difficult. They did not get much help from the teams that did earlier pilot audits either, contrary to what they expected of them to do. This was because they were also very busy doing their own pilot audit reports that time.

“We did learn that we should not get a big area of coverage -- *hindi ninyo kaya*, they would say, limit the number of agencies to be covered. But the problem is, if we limit the number of agencies, then it won't be representative of the population. So our teams got overloaded -- each auditor on the team handled two to three agencies,” Villezza furthered.

All pilot audits reports had to undergo three levels of review before it was approved for submission to key stakeholders and publication. First level was Stanton Partners through Winks; second level was a review by the MS Director; and the last level of review was by the GWSPA Project Steering Committee.

In July 2003, only two of the pilot audit reports had been printed for publication. The textbook program team came out with a publication of their report in March 2003. The report on the pilot audit of the solid waste management was released in July 2003.

As for the report on the irrigation program, it was still being finalized by the MS Office. “It just needs the signature of the team members but it is difficult to contact them. The team handling the pilot audit on the housing program was also still in the process of wrapping up its report. “These two teams are not under MS Office so it is difficult to monitor their progress, unlike the other two teams. The reports on the two pilot audits that started in November 2002 have not been submitted yet,” Fabroa added.

The two teams were supposed to have submitted their reports in March 2003. In July 2003, both teams were still in the process of drafting the final report.

“We could not work on this full time either -- there were just so many intervening functions left over from our previous assignments,” Racelis explained what was holding up the report of her team.

A key observation noted by Stanton Partners on the performance of the two July pilot audit teams which failed to submit reports on time was the

existence of multiple tasks the team members had to handle on top of the pilot audit. This led to the following:⁴⁰

- additional stress and workload for participants,
- difficulty in completing the planned audit work within the timeframe,
- delays in completing the reporting, and
- loss of team cohesion.

"If there will be a similar undertaking, the auditors or participants should concentrate on the audits. Or else, the planning should take into consideration the schedules of the participants so that delays in reporting will not happen again," Creencia suggested.

B.5. Data Analysis and Report Writing Workshop

Recognizing the difficulties experienced by the pilot auditors during the reporting phase, the Analysis and Report Writing Workshop was held on March 26-27, 2003. Participated in by all the staff of the MS Office, the training aimed to further familiarize the auditors with the GWSPA methodology manual. This was also conducted to review the pilot audit reports submitted by the auditors and comment on the overall output of the pilot audits.

Creencia explained that the report-writing workshop was conducted because "the auditors were not confident in their report writing skills and they said that their weakness was in data analysis."

Some participants commented that they wanted the workshop to focus more on data analysis -- how to analyze information that needed to be included in the report, but the training instead focused more on report writing. Winks stressed the importance of establishing some consistency in the writing styles -- how information is presented. "It should not be negative; it must be changed to a more constructive language."

This observation was reinforced by some participants who said that they found writing reports difficult despite their previous experiences in report-writing. "We think in *Tagalog* so we still have to translate it to English. We needed to adjust our language -- in fraud audit, you write the information as it is even if it is negative. In GWSPA, you have to use the positive tone," they⁴¹ quipped.

⁴⁰ Final Report, GWSPA Project, Stanton Partners (April 2003), p. 12

⁴¹ Both Ms. Villeza and Ms. Racelis were assigned to MS Office, the former having handled rate audits since 1992 while the latter having been into fraud audits since 1986.

The training was conducted at the latter part of the project because there was a concern that needed to be addressed which was not foreseen at the onset. The consultancy agreement with Stanton Partners was amended accordingly.

III. Integrating GWSPA into the COA Structure

During the period of the project, COA had been taking steps in making sure that GWSPA was fully integrated into the COA structure before the project ended. In the middle of capability building activities, COA was busy building the management structure for the GWSPA. There were three major initiatives that COA undertook to effectively address issues on sustainability—the creation of the Management Services Office, the creation of the COA Steering Committee on VFM audits and the establishment of the Planning and Review Group within the MS Office.

A. Creating the Management Services Office

Responding to the need to strengthen and institutionalize the performance audit thrust of COA, the Special Audit Office (SAO) was restructured into Management Services Office in July 2002. Its functions included the following:

- Conduct VFM audits and related operations review activities,
- Provide management consultancy services to other government agencies in such areas as organization, strategy formulation, financial feasibility, and strategic planning, among others,
- Coordinate with all offices of the Commission for the purpose of establishing feedback mechanisms on implemented innovations,
- Formulate recommendations to the Chairman on the adoption of the most appropriate systems for the enhancement of operations, and
- Perform such other functions as may be assigned.

The GWSPA was put under the helm of the newly-created MS Office. According Creencia, it was the SAO that was reorganized into MS Office because SAO had already been doing performance audits on top of the regular audits. She said that this was the Chairman's vision -- to have the MS group handle the performance audits, because COA's performance audits then were agency-based only.

It was Creencia who was temporarily appointed as the Director of the MS Office. She was then concurrently holding the position of Director of the Professional Development Center, a post she held since 1999. In October 2002,

Dir. Iluminada Fabroa was appointed as MS Office Director in view of the promotion of Creencia.

To ensure that MS staff was fully committed in conducting performance audits, SAO staff was given a choice of whether to stay with the MS Office or move on to another COA department.

"I wanted them committed to the conduct of performance audits. I knew that it was different to what they were used to so we gave them a choice. " Creencia narrated the initial activities connected with the SAO restructuring.

"Sixty percent of the auditors in SAO stayed on and became staff of MS Office. Some auditors took this as an opportunity to transfer to other locations. The considerations were practical -- some opted to be assigned in offices that were nearer to their residences," she added.

The other audits under SAO were transferred to other offices, such as fraud audit which was now under the Legal and Adjudication Office. However, rate and levy was recently returned to the MS office since those experienced in rate and levy audits remained in MS after the reorganization.

MS Assistant Director Garcia expressed fear about the lack of personnel in the MS Office: "Rate and levy audits were returned to MS Office but these are not included in the official functions of MS now. Rate audits need 12 auditors and levy audits another 12, but we can't assign auditors from the current MS staff because they have already been deployed to conduct GWSPA audits."

B. Creation of COA Steering Committee on VFM

On October 8, 2002, a steering committee was constituted to oversee the VFM audits and other services undertaken by the MS Office, review its strategic plans for VFM audits and other related services, prioritize the areas or agencies to be serviced, approve the general approach to be made, and review the reports before these are released to concerned parties.⁴³

The members of the Steering Committee were subsequently briefed by each pilot audit team on the results of the audits. These team debriefings provided the Steering Committee with a comprehensive understanding of the format and contents of each report.

All of the six pilot audit reports underwent a thorough review by the Steering Committee. Even in the process of drafting the audit reports, pilot audit

teams periodically consulted the members of the Steering Committee on various issues on audit reporting that needed clarification.

In May 2003, the Steering Committee also undertook the review of the five-year (2004-2005) strategic plan prepared by MS Office on the conduct of GWSPAs and agency-based VFM audits as well. The Committee resolved to approve only what it considered to be critical issues to be audited within that year.

C. The Strategic and Planning Review Group

The conceptual model developed for GWSPA proposed the establishment of a Strategic Planning Unit to undertake the development of a long term and short-term plan for COA; to develop initial draft processes and practices for the conduct of strategic planning on an ongoing basis in COA to supplement the GWSPA Manual that was in the process of being developed; and to undertake the selection of pilot audits.

In response to the recommendations contained in the new GWSPA methodology, COA created the Planning and Review Group (PRG) and its Research Unit within the MS Office on October 10, 2002. Its tasks included the provision of a comprehensive approach to planning and formulation of the work plans on VFM, consultancy and other related services, and the conduct of review and documentation in the conduct of the same.⁴² Winks worked with the group in November 2002 and in March 2003 to assist with the development of their first strategic plan for GWSPA.

"I was the one who pushed for the constituting of the review group within MS Office," said Creencia. "More often than not, the planning should be strong because the execution of the audit is based on the plan. If you don't plan well, the execution time will be longer." She said the PRG is composed of the MS Office Assistant Director as head with the MS supervising auditors as members.

Creencia furthered: "After the pilot audits, we conducted the strategic planning. Sharon Winks assisted us during that time. This was created because the GWSPA manual suggested this and strategic planning is part of the performance audits. We did this before but planning was usually integrated into the audit and was not separate."

"But since this is GWSPA, assessment of issues that will give have greater impact is important and a separate group has to be created to do this, composed

⁴² COA MS Office Order No. 2002-003 dated October 10, 2002

of members with technical capabilities and analytical skills tasked to do data gathering and analysis functions. This is an on-going activity -- they would take note of anything that they read in newspapers and deliberate on topics and issues that crop up. Once they have pinpointed issues to focus on, they send out a data-gathering team. The steering committee then chooses and approves the audit topics from among the list submitted by the planning and review group."

The Stanton Partners had applauded the initiative of COA of constituting this group and embarking on the strategic planning in a timely manner, taking advantage of the expert assistance of the project consultants.

Under the close supervision of Winks, the Group was able to prepare and complete a five-year strategic plan (2004-2008) on the conduct of GWSPAs and agency-based VFM audits. The plan was presented to the Steering Committee on VFM for review/approval. The proposed audits for implementation in 2004 were approved with amendments by the Committee.

IV. Analysis

A. Project Accomplishments

COA has taken major strides in strengthening and institutionalizing the performance audit thrust in line with its mandate to determine the efficiency, economy, and effectiveness of government projects and the utilization of public resources.

One of the concrete efforts that COA undertook in line with improving its ability and capacity to conduct performance audits was the UNDP-led GWSPA project which sought to enhance COA's public accountability program by strengthening the government-wide and sectoral performance audits or GWSPA.

In this GWSPA project, three levels of capacity building activities were undertaken: (1) organizational and policy review; (2) developing GWSPA Methodology; (3) training of auditors in the conduct of GWSPA.

The first level or capacity building activity was focused on determining and assessing the extent of performance auditing that COA has undertaken in the context of COA's existing organizational structure, current practices and procedures in value for money audits and its strategic audit focus. The findings were the bases in the design of the implementation plan and in customizing the GWSPA conceptual model.

This process included the review of COA's audit VFM reports to develop an understanding of COA's capacity to undertake GWSPA. Verification of the assessment was done through consultations with COA officials and auditors both in the central office and in some of its regional offices. Through this assessment and consultations, Stanton Partners was able to identify the stages and processes of the GWSPA audit requiring improvement and these findings were integrated into the implementation plan and conceptual model.

The outputs of Stanton Partners for this area were: (1) GWSPA overview report; (2) Assessment report; (3) Proposal on Revised Policies and Implementation Plan; (5) Monitoring and Evaluation System; (6) Conceptual Framework of proposed GWSPA model.

With regard to developing GWSPA methodology and conducting GWSPA audit training, Stanton Partners stressed that all outputs required as per project objectives were met, to wit: ⁴³

- a larger number of people were trained than envisaged (nearly 100 staff) Of the total staff trained, approximately 65% were from the newly created MS Office with responsibility for the conduct of GWSPA. ⁴⁴
- development and practical application of GWSPA methodology and training manuals incorporating international best practices and practical processes for the Philippines,
- a core of COA staff with an understanding of GWSPA and experience in the training of GWSPA,
- a large group of MS and other audit staff with practical experiences in the planning, execution and reporting of GWSPA, and
- a small core of staff with experience in strategic planning.

B. Key Success Factors

Stanton Partners and COA Officials and auditors attributed the success of the project to these key success factors:

Establishment of the Management Services Office

In Stanton Partners' proposal on revised policies and implementation plan, it underscored the need for a small separate unit as a Office of Special Audit Office that is adequately resourced to undertake the functions of GWSPA.

⁴³ Final Report, op. cit., p. 14

⁴⁴ *ibid.*

COA established the Management Services Office that would be in charge of all value for money audits, including GWSPA.⁴⁵

“The setting up of the MS Office as official center of VFM audits will ensure that the GWSPA will continue and will work. The support of COA Chairman Guillermo Carague in the development of COA’s consultancy and performance audits through the MS Office is a big thing in the sustainability of GWSPA in the Philippines,” Creencia added.

Moreover, all the staff of MS Office had been trained in GWSPA and had undergone the pilot audits—the first batch was trained in July 2002 (28 staff) and the second batch in November (14 staff). Two groups of MS staff conducted pilot audits from July to December 2002 while the rest conducted the two pilot audits scheduled in November to March 2003.

Winks believed that with the GWSPA under the Management Services Office, it addressed some of the better practices identified by the study tours who visited international SAIs. Setting up the MS Office would provide a focus and the opportunity to use resources full time.

Setting up the Strategic Planning and Review Group

The importance of putting in place a strategic planning function for GWSPA was also included in Stanton’s proposal. And COA took that crucial step in the institutionalization of GWSPA by establishing the Strategic Planning and Review Group in the Management Services Office in October 2002. Fina Laquindanum, the Project Coordinator, confirmed that the establishment of the Planning and Review Group within the Management Services was a positive result of Wink’s recommendation that a small separate unit be created to undertake strategic planning as support to the GWSPA model developed.

“It was COA’s initiative as it was not part of the project objectives. They took the opportunity to set it up while I was still in the Philippines so I can assist the group in planning out its strategies in March 2003,” Winks said. Sharon Winks considered this as a big help in the capacity building initiatives.

“This way, at the end of the project, COA won’t turn around and say, what do we do now? What COA should do is get these audits ready to go,” Winks exclaimed.⁴⁶

⁴⁵ Proposal for revised policies and implementation plan, Stanton Partners

⁴⁶ Audits with Impact: A Case Study on COA’s GWSPA Pilot Audits, KPMG (January 10, 2003)

Creation of COA Steering Committee on VFM

With a Steering Committee organized primarily to oversee and provide direction in the implementation of the project, the foundations for GWSPA within COA stood on a more solid ground.

The Steering Committee, composed of top-level COA officials with years and years of experience behind them, provided the GWSPA auditors with access to expert advice on key areas of concern. This internal monitoring (periodic review) and consultation mechanism ensured the quality of the GWSPA audits and reports. More importantly, GWSPA auditors were provided with guidance in their audits at each stage and this contributed to the enhancement of the auditors' skills in performance auditing.

Comprehensive Training

"The GWSPA methodology workshop showed us what GWSPA is all about, and the procedures as to what we needed to do during audits were learned from the trainings. The Manual has been useful and applicable." Asst. Dir. Garcia had this to say about the GWSPA audit training.⁴⁷

The training emphasized the importance of constantly looking for other topics, issues, being updated on what is happening in the public sector. "That is the sort of thinking I'd like to encourage in COA people—the outward looking approach." Winks remarked.⁴⁸

Also, the GWSPA audit training not only focused on theoretical inputs but provided a venue for the practical application of the concepts and methodology through the conduct of pilot audits.

Winks said that pilot audits were very important in ironing out the issues that GWSPA could encounter, like time factor in writing and conducting the audits.

To illustrate the issues that the pilot audits surfaced, Winks narrated that one of the realizations common to all pilot audit teams during the execution phase was that there was not enough time for team discussion. "Detail is good but look at the big picture, I told them. And they can do that if they get together to talk about the results so they can see the bigger picture and focus on key issues."

Garcia also shared that participants/auditors found out during the pilot audits that another major challenge of GWSPA was in the selection of a sample,

⁴⁷ *ibid.*

⁴⁸ *ibid.*

an auditee-agency, whose records and data needed in audit may not be sufficient or available. Improper and lack of documentation and decentralized records keeping were just some of the causes of the problem.⁴⁹

“Based on our experience during the pilot audit, we are trying to strengthen the coordination among sub-teams since that was our weakness in the pilot audits. Each sub-team should know what the other sub-teams are doing and what information they are getting from their agencies to avoid overlapping of evidence and duplication of tasks. Coordination in data-gathering is very crucial in audits because report writing depends so much on the sufficiency of evidence gathered,” she furthered.

“I think, in some ways, the participants understood that the audits are similar to what they have been doing but on one hand, they don’t. They have a lot of audit skills, but along the way, they worry about the time frame that they rushed some things up,” was Winks observation during the pilot audits.

The pilot audits also gave the auditors a chance to be trained at report writing, an aspect that auditors found most difficult. “There is nothing really difficult with GWSPA but since this is a pilot audit, the report format and style was not developed yet. There was no prescribed style or format. So, at the same time that you are gathering data, you are also thinking of how to present it,” Garcia said when she was interviewed about her experience with the pilot audit.

When the first batches of pilot audits teams were about to wrap up their audits, Winks noted that the teams needed to work at ensuring:

- That the findings and recommendations relate back clearly to the audit objective and the objective of the program; and
- The recommendations provide clear and practical solutions

“Report writing is probably the hardest process to teach someone. It is hard work and very frustrating but also essential to get it right and in a timely manner,” Winks told the auditors in the pilot audit teams.

Another problem that auditors presented with regard to report writing was their difficulty looking for the appropriate English terms and some members of the pilot audit teams felt that the GWSPA workshop did not sufficiently cover the report writing aspect.

⁴⁹ *ibid.*

Taking into consideration the concerns and needs of the COA auditors, Stanton Partners agreed to conduct a workshop on Analysis and Report Writing in March, 2003 even if this was not included in its contract.

Good leadership and top management support

Another key success factor, according to MS Dir. Fabroa and Assistant Dir. Garcia, was the effective leadership of the audit team leaders and team supervisors as well as the support and guidance of the steering committee, directors and support staffs.

To which, Winks agreed. For her, the vital ingredient for the success of GWSPA was the support and involvement of the COA senior executives, cluster directors and staff.

Expertise and Commitment of Auditors

Winks believed that the pilot audit teams had a very strong base of experienced and intelligent auditors and this, added to hard work, had gotten the project to where it was.

Creencia reinforced this statement from Winks by saying that what facilitated the training- workshops and the pilot audits better was because most of the participants were already trainers and experienced auditors. "They have already undergone various trainings on presentation and on performance audits."

Winks, in her Progress report dated June, 2002 said: "The participants demonstrated strong technical skills in the collection of evidence and confirmed the areas (key areas of conceptual model) as being key priorities to address, particularly the selection of the right audit and development of a sound audit plan and a better practice criteria. Furthermore, the participants' knowledge of the principles of performance auditing was very good and it was not necessary to spend significant time on this."

In Stanton Partners' final report, it stated that initially, it had been intended to conduct the GWSPA training in two groups of 30 over 10 days based on the assumption that participants had little or no training or experience in VFM audits. However, COA auditors have generally had training and experience in VFM audits, thereby reducing the period over which the training and experience needs to be undertaken. The training did however need to pick up attitudinal issues in order to change the past practices and perceptions in relation to audit ownership, responsibilities in strategic planning, and

development of audit criteria. This required a closer involvement with participants.⁵⁰

For these reasons, training was conducted in four groups of approximately 17-28 participants resulting in a total of nearly 100 persons trained in GWSPA.⁵¹

Moreover, the auditors, despite their busy schedules, manifested their commitment to the project. Garcia said, "For as long as you are committed to do it, you can do it. *Akala namin noong una, hindi namin kaya. Kung kailangan palang gawin, magagawa.*" (We thought at first that we could not do it. But we found out that if it is absolutely necessary, then you can do whatever it is you need to do).

The Stanton Partners had congratulated the pilot audit teams for their willingness to extend their skills and try new approaches. Their enthusiasm and interests were key reasons for the success of the project. Dir. Fabroa also cited the cooperation of the auditee-agencies in the successful implementation of the project.

C. Areas for Improvement

But not all is well that ends well, for after the training, the pilot audits and reporting of audit results to key stakeholders comes a far more significant issue of the entire process: monitoring the progress of agency implementations of audit recommendations, and assessing the audit impact. COA and the auditors have still to do these through the follow-up audit procedures.

Some of the other areas Stanton Partners identified where COA's GWSPA experience should be enhanced were:⁵²

- More comprehensive analysis including cause and affect addressing performance audit issues
- Development of a reporting style for GWSPA (format, writing style)
- Development and implementation of a comprehensive monitoring and evaluation system for GWSPA

⁵⁰ Final Report, op. cit., p. 10

⁵¹ *ibid.*

⁵² Audits with Impact: A Case Study on COA's GWSPA Pilot Audits, KPMG (January 10, 2003)

D. Valuable Insights on GWSPA

In Stanton Partners assessment, it recognized that although the ASOSAI model was a sound basis for COA's pre-GWSPA VFM audits, it was just a general guideline that did not provide specific practices and processes applicable to the peculiar Philippine setting. Both COA and Stanton partners expressed concern that COA's previous VFM audits had not achieved the desired results.⁵³ Thus, the GWSPA project was conceptualized.⁵⁴

"GWSPA is not totally 'new'," Garcia clarified. She further opined, "We were already doing performance audits before. There were just some enhancements to the agency-based audits since these were not as extensive and mostly done based on agency request. Now, with GWSPA, we scout for audits. At first, *hilog-hilo kami*, (we were so confused) considering that we have to audit many agencies. But the effect is better because we can see the complete picture."

"GWSPA is better than agency-based audits that COA had been conducting a number of years now. In GWSPA, we are looking at the macro level—linking root causes of a problem by looking at all agencies implementing a certain program," Adele Dondonilla, a pilot audit team supervisor also stated, to which the rest of her team agreed. "With GWSPA, an audit has a clearer direction because it is focused on important points that are linked to the objectives and criteria set at the start of the audit," a member of another pilot audit team said.

To other auditors, they saw GWSPA as people-oriented audits. As they explained, traditional audits usually just require auditors to rely solely on documents review for their data whereas, in GWSPA, interviews were necessary.

For Director Fabroa, she considered GWSPA to be better than financial audits because it gave government agencies ideas on how to improve in attaining their objectives. "You cannot see that in financial audits."

More importantly, the auditors attested that they went home from the GWSPA training experience with better appreciation for the programs of the government and their role in improving public administration. The auditors further said that the GWSPA audit heightened their social awareness. Moreover, they were grateful that GWSPA taught them to look at the symptoms and the root causes of a problem in order to come up with a valid recommendation.

⁵³ Stanton Partners Final Report, op. cit., p. 7

⁵⁴ Assessment Report, Stanton Partners

V. Future Prospects and Emerging Challenges

COA had already embarked on the conduct of actual GWSPA audits and agency-based performance audits based on the strategic plan submitted by the Planning and Review Group of the MS Office in March 2003. MS Assistant Director Garcia said that the MS Office's targets for fiscal year 2004 included the conduct of 2-3 GWSPA audits. The MS Office would also conduct 2-3 agency-based performance audits depending on agency requests and availability of staff. In July 2003, the following audits commenced:

- National Collection System (government-wide audit) which started on July 7 and involved 10 auditors,
- School Building Program (sectoral audit) which started on July 7 and involved 10 auditors

In October 2003, it planned to conduct an agency-based audit of the Procurement System of school furniture per request of the DepEd Secretary and the Insurance System of the Philippine Crop Insurance System Commission per request of the Department of Agriculture.

"I see a positive future for GWSPA. In March 2003, we released the report on the DepEd audit and that was the reason for the agency to request for an agency-based audit on the procurement system of school furniture. DepED appreciated the effect of this type of audit; their response was positive. There is another pending request by DepEd for an audit of its local and Office offices' procurement system of textbooks. We can probably do this in October 2003," Garcia narrated.

"The pilot audit report on the solid waste management was also released in July 2003. But even before that, during one of the exit conferences, the Mayor of Valenzuela City already requested two more audits on personnel/human resources, but unfortunately, we were not able to include this in the strategic plan," Garcia added.

The strategic plan already outlined activities for the next five years. See table below for the strategic plan:

Program Area	Audit Approach	Start of Audit
National Collection System ⁵⁵	Government-wide	July 2003
School Building Program – Identification of Sites	Sectoral	July 2003
Health – Provision of Medical Equipment/Facilities	Sectoral	2004
Housing – Relocation Program	Sectoral	2004
Comprehensive Agrarian Reform Program (CARP) – Program Beneficiaries Development	Sectoral	2005
Ecosystem - Coral Reefs Reforestation	Sectoral	2005
Traffic Management	Sectoral	2005
Guaranteed Loans	Agency-based Audit	2006
Investments of GSIS	Agency-based Audit	2006
Health – Provision of Medicines	Sectoral	2006
Waste Disposal	Government-wide	2007
Sea Safety	Sectoral	2007
Land Reforestation	Sectoral	2007

However, in order for COA to move forward with GWSPA, it had to consider issues that could very well spell the future of the endeavor. COA management, auditors and implementers highlighted the issues that would challenge COA and GWSPA in the years to come:

Issues on institutional sustainability. COA auditors and senior executives alike believed that the sustainability of GWSPA would greatly depend on the policy of the current administration. Leadership would play a significant role in the continuity of GWSPA. “If the next leader of COA has a different agenda, then the future of GWSPA will hang in balance,” a senior COA executive said. As an example of the role that leadership played, the auditors gave a historical background of the thrusts of previous administrations. “For instance, in 1984, we were already conducting performance audits. In 1986, the focus of COA shifted to fraud audit. And now, we are back to VFM audits again. So it really depends on the priorities of the top management -- how they want us to go on,” was how one auditor explained it.

⁵⁵ The National Collection System was approved in lieu of the Comprehensive Agrarian reform Program-Land Acquisition and Distribution Program.

Creencia was more optimistic about the sustainability of GWSPA within the institution—“after all performance auditing was part COA’s functions and it was mandated in the Constitution that COA shall make recommendations on the effective, efficient and economic use of financial resources. So, GWSPA should survive regardless of the change in leadership,” she said.

For Stanton Partners, sustainability would depend on getting a wide range of people involved in GWSPA. “If there is a broad base of senior COA executives and MS Office supervisors, and broader group outside of the MS Office that would take part in the program, then sustainability is assured.

Sustaining the auditors’ commitment and interest. It was emphasized that sustaining the interest of the auditors was crucial to GWSPA’s sustainability, especially if the MS Office made sure that the GWSPA methodology was done properly. In fact, Winks stressed that in GWSPA, an auditor has to be committed. “You’ve got to love what you’re doing. It is a commitment—read the news; you just can’t do an audit (GWSPA) and forget about it at the end of the day,” Winks said in an interview in August 2002. A GWSPA auditor has to be constantly updated on current events, among other things, in order to identify audits that would have most impact and value. According to Winks, the only way to sustain the interest of the auditors was to keep doing the GWSPA audits.

Creencia said that there would were no plans for any GWSPA-related training in the next two years (until 2005). She, however, considered it necessary for auditors to be periodically updated on the activities and developments in line with GWSPA and other value for money audits so their interest would not wane.

Issues on transformation. What ultimately posed as the biggest challenge was the issue of transformation on various levels. For GWSPA to move forward, there should be a: (1) transformation *within COA* in terms of how it would use and regard GWSPA; (2) a transformation within the *Auditors* in terms of their attitude towards GWSPA; (3) a transformation *within the government agencies* that would be audited in terms of how it would use GWSPA to their benefit and; (4) value change of the end users—the government and the public.

1. *From disabler to enabler.* The Stanton Partners stressed that the challenge for COA in the coming years is to identify those audit issues that were most significant in the Philippines, and to continue to plan and undertake GWSPA that matters and adds value. The audit results must be based on the analysis that is focused on the evaluation of program performance and concerned

with matters beyond mere compliance. Reporting must be timely and targeted to key stakeholders.⁵⁶

COA Chairman Guillermo Carague, in his remarks during the GWSPA Project Presentation in December 2002, said that COA should move into the direction from being a disabler to an enabler through GWSPA. Moreover, GWSPA should be a normal audit for COA.

2. *Developing outward looking approach.* According to Winks, auditors, on the other hand, should be able to recognize the importance of looking at the benefits of the audit. "Looking at the implications of audit recommendations is looking at the broader picture – how valuable it is going to be for the agencies? If auditors are going to recommend, they have to ask if it will indeed help the agency," she said.

She advised the auditors to "strengthen your analysis in terms of looking at alternatives, getting answers, and questioning the answers until that is the only answer you have and you are satisfied ... not just looking at one solution but at solutions on how to help the agencies."

The consultancy firm also recommended that the auditors need to look beyond what was found during the audit and question what impact this issue would have on the overall effectiveness of the agency (the "so what?" question). They then need to look for further evidence to clearly demonstrate whether this impact has eventuated or not. COA needs to focus on the cause of the audit observations, more than the mere failure of the agency to comply with what is required. This will provide COA evidence to furnish a report with practical recommendations and information to convince the auditee-agencies to change or improve its operations and performance.⁵⁷

3. *Knowing what GWSPA reveals.* With regard to the agencies that would be audited, the challenge would be to develop the agencies' maturity in terms of knowing what to do with the information reflected in the audits and acting on the results and recommendations of the GWSPA audits. MS Director Fabroa

⁵⁶ Final Report, op. cit., p. 14

⁵⁷ *ibid.*, p. 15

expressed her concerns on how agencies would use the findings of COA: “Whether our audit recommendations are implemented or not, it is beyond COA’s control. We cannot tell if there are constraints in the implementation. But we instructed auditors to monitor the performance of the agencies after the report -- to write letters to agencies inquiring about their implementation. It will take another year for us to know whether the agencies have indeed considered our recommendations.”

Fabroa added: “If government agencies are willing to cooperate and put the reports to good use, then the future of GWSPA is bright. One way of educating them about GWSPA is to write them letter informing them that such audits are being conducted. We should also post the reports on the COA website so the reports are made accessible to the public.”

Winks also suggested that one way to addressing the issue was to have an on-going education and information campaign. “It does not have to be formal—COA could market GWSPA when they meet with the agencies that they are doing financial and/or other audits on.”

4. *Key decision points.* GWSPA’s full potential in influencing change in government would only be realized if and when leaders of the country start taking advantage of and valuing the benefits of GWSPA. As Sharon Winks said, getting leaders of the country to make decisions based on the GWSPA reports was crucial.

However, for Congress, media and the public to take notice of GWSPA and use it to improve government systems and influence change, COA had to keep producing GWSPA audits while at the same time educating the agencies, the government and the public on the benefits of GWSPA. Winks once said during the GWSPA audit training, “We are going to produce these audits and some things are going to be disappointing—say, for example, Congress may not roll the red carpet but that is all part of the process.”

Regardless of the issues facing COA with the GWSPA, COA auditors who underwent the entire GWSPA experience had this to say: “If we can render reports with impact and call attention of high government officials to GWSPA findings, then there is a future for GWSPA. We are looking forward to an audit with an impact, an audit that matters and adds value, one that could influence change in the government.”