



**STANTON PARTNERS**

**ABN 60 948 259 529**

**ENHANCING THE PUBLIC  
ACCOUNTABILITY  
PROGRAMME OF THE  
PHILIPPINE COMMISSION  
ON AUDIT (COA):  
GOVERNMENT-WIDE AND  
SECTORAL  
PERFORMANCE/VFM AUDIT  
(PHI/97/022)**

**FINAL REPORT**

**Volume 1 of 4  
Final Report  
Attachments A-I**

**APRIL 2003**

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24 April 2003

Ms Florida Creencia  
Ascom Professional Development and Project Manager  
Commission on Audit  
Commonwealth Avenue  
Quezon City  
Republic of the Philippines

Dear Ms Creencia

**Consultancy Agreement: Enhancing the Public Accountability Programme  
of the Philippine Commission on Audit (COA): Government-wide  
and Sectoral/VFM Audit (PHI/97/022)**

**FINAL REPORT**

As per Article IX.1 of the above-stated project, Stanton Partners is pleased to submit the attached Final Report for review and consideration.

The attachments for the report have been provided to COA throughout the conduct of the project and reviewed and accepted.

Stanton Partners wishes to take this opportunity to thank the staff of COA including the Project Management Team, the pilot audit teams, the support staff and all those who have assisted in the development and delivery of this important project.

Yours sincerely

Keith Lingard

Project Director

Copy: Ms Ethelind Capuno, Manager, DSSC, UNDP



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## ACRONYNS

ACRONYM	DESCRIPTIONS
ANAO	Australian National Audit Office
ASOSAI	Asian Organization of Supreme Audit Institutions
AusAID	Australian Agency for International Development
COA	Commission on Audit
GWSPA	Government-Wide Sectoral Performance Audits
INTOSAI	International Organization of Supreme Audit Institutions
SAI	Supreme Audit Institutions (in the Terms of Reference, this acronym is sometimes used to refer to 'state audit institutions'. For the sake of consistency, we refer to these institutions as 'regional offices')
ToT	Training-of-Trainers -- refers to GWSPA Audit Trainers
UNDP	United Nations Development Programme
VFM	Value for Money

## FINAL REPORT

### 1. PROJECT DESCRIPTION

Under a United Nations Development Programme (UNDP) project entitled *Enhancing the Public Accountability Programme of the Philippine Commission on Audit (COA): Government-wide and Sectoral/VFM Audit and Audit Team Approach (PHI/97/022)*, this technical assistance (TA) 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. COA agreed during the project the methodology will be called value for money (VFM) audit rather than performance audit.

This project is funded by the Government of Australia through the Australian Agency for International Development (AusAID). The contract was awarded to Stanton Partners.

### 2. TERMS OF REFERENCE

The scope of services under the Terms of Reference (ToRs) of this project include the following objectives:

Ref TORs	TASK DESCRIPTION
<b>OBJECTIVE 1: GWSPA ORGANISATIONAL POLICY REVIEW</b>	
A1-3	1.1 Capacity Assessment: Assess GWSPA policies, strategic audit focus and organizational structure, examine GWSPA audit practices and procedures and prepare Policy Paper
A4	1.2 Implementation Plan: Prepare GWSPA implementation plan and evaluation framework for the introduction of GWSPA approach
B1-2	1.3 Conceptual Model: Develop GWSPA audit model based on regional consultations and benchmarked against international best practice
<b>OBJECTIVE 2: GWSPA METHODOLOGY</b>	
B3	2.1 Prepare comprehensive GWSPA manual based on risk-based and performance audit methodologies
C1-2	2.2 Prepare and deliver program of training to up to 30 GWSPA Audit Trainers
<b>OBJECTIVE 3: GWSPA AUDIT TRAINING</b>	
B6-7	3.1 Assist in the planning and execution of a pilot program of GWSPA audits and assist in evaluating findings and recommendations
B4-5	3.2 Prepare and deliver program of training to 60 GWSPA Auditors
D1-2, B8	3.3 Evaluate training and finalize GWSPA audit ToT program and finalize GWSPA manual

### 3. SUBMISSION OF OUTPUT

The ToR for this project provide for an output of a Final Report for COA's review. The Final Report covers activities under Objectives 1, 2 and 3.

## 4. PROJECT ACTIVITIES

### 4.1 RESOURCE TEAM

Given the strong integration of the key objectives of this project, and as we considered sectoral experience critical to the success of this project, under the overall direction of Keith Lingard, Project Director and Partner-in-charge of Stanton Partners, a simplified consultancy team of two Auditors were mobilized to provide input at those stages where the VFM audit experience is critical. These stages were the preparation of the Implementation Plan and the Concept 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.

To support this technical assistant project, Stanton Partners nominated an experienced in-Australia Project Manager.

The resource team provided included:

Name	Position	Total Input (Days)	Responsibility	Ref ToRs
Keith Lingard	Project Director and Partner-in-Charge	5	<ul style="list-style-type: none"> <li>Overall responsibility for liaison with the UNDP and COA and quality assurance for all project outputs.</li> </ul>	
Neville Smith	Resource Consultant	60 [increased to 90]	<ul style="list-style-type: none"> <li>Overall design and conduct of the organizational policy review, the strategic planning process and the preparation of all major reports under this objective.</li> </ul>	A1-4 B1-3
Sharon Winks	Performance Audit Specialist/Trainer	173	<ul style="list-style-type: none"> <li>Overall responsibility for preparation of the GWSPA manual and training manual, design and delivery of the audit training and assisting the planning and management of the pilot audits</li> <li>Technical input into the evaluation of audit reports, providing the Manager Review or 'sign-off' of the audit reports</li> <li>Preparation of all major reports under this objective.</li> </ul>	A1-3 B3-7 C1-2 D1-2
Liz Coventry	In-Australia Project Manager	12	<ul style="list-style-type: none"> <li>Provide day-to-day administration support to resource team</li> </ul>	--

In addition, Ms Winks undertook an extra weeks work at the conclusion of the project to prepare and present a workshop on reporting and analysis for GWSPA and assists in the development and review of the draft strategic plan for Management Services.

## 4.2 MOBILIZATION

The signing of the Consultancy Agreement between UNDP and Stanton Partners for the provision of services under this project took place at COA's office on 21 December 2001. COA issued a Notice to Proceed for the commencement of the consultancy services on 7 January 2002.

Due to the unavailability of the original proposed Resource Consultant (Richard Woodgate), approval was sought from COA to replace Mr Woodgate with Mr Neville Smith. The approval was granted on 10 January 2002.

Mr Smith was mobilised on 13 January 2002. Due to a prior commitment on another AusAID assignment in Indonesia, Mr Smith commenced his consultancy services on 14 January 2002 for an initial two weeks and returned to Manila on 10 February 2002 to continue his duties under this project. Stanton Partner's original technical proposal provided a total of 60 input days for the Resource Consultant. However, Stanton Partners increased Mr Smith's input days to 90 at no extra cost to COA/UNDP. This was also approved by COA/UNDP. Mr Smith returned to Australia on 10 May 2002.

Ms Sharon Winks, the Performance Audit Specialist/Trainer was mobilised on 20 April 2002 and commenced duties on 22 April 2002, completing this placement on 17 August 2002. During this visit Ms Winks developed and presented three GWSPA Workshops, established and monitored five pilot audit teams, developed and presented two train the trainer workshops and drafted the GWSPA Manual including the detailed processes within. At the conclusion of this visit Ms Winks undertook a formal presentation to the COA Chairman, Commissioners, Directors and other staff on the progress of the project.

Mr Rolando Bautista, the Domestic Audit Specialist/Trainer commenced on 10 May 2002 for a short period of time. Mr Bautista participated in a limited capacity in the first GWSPA workshop (20 - 24 May 2002) and was involved in a small number of meetings with Stanton Partners. As a result of this interaction both Stanton Partners and Mr Bautista agreed his services would no longer be required for this project. Although an experienced officer, in some aspects of his work Mr Bautista did not deliver to a standard required for the effective completion of this capacity building project and after discussion volunteered to resign from the project. Ms Winks accepted responsibility for the tasks originally to be completed by Mr Bautista increasing her input time. This was approved by COA on 29 May 2002 and the agreed timetable for the project activities amended to reflect. A copy of the revised approved workplan is provided at Attachment A. A formal approval for the replacement of Mr Bautista with Ms Winks was signed by UNDP on 11 June 2002.

Ms Winks returned to Manila on 6 November and departed Wednesday 4 December 2002. During this visit Ms Winks presented the final GWSPA Workshop and assisted the new pilot teams with their planning whilst working with the existing pilot teams to finalise their reporting. Ms Winks assisted the new GWSPA COA Strategic Planning Unit to establish processes for the development of their first strategic plan and undertook a formal presentation

to the COA Chairman, UNDP, PAGF, COA Commissioners, Directors and other staff on the progress of the project.

In addition Mr Keith Lingard, Project Director, visited COA to present to a GWSPA Workshop in the first week of July 2002. He also met with representatives of the Project Management Team on 7 February during a visit to Manila for another project. During this meeting he provided an update on the project and received comments on project progress and performance.

The final visit for Ms Winks was in March 2003 for a two week period. During this visit Ms Winks prepared and presented an additional workshop on analysis and reporting as a result of the identification of a need to strengthen staff knowledge and skills in this area. In addition, Ms Winks undertook a review of the draft Strategic Plan for Management Services and assisted staff to refine the information prepared including proposed draft objectives and scope. To complete the project deliverables Ms Winks reviewed draft pilot audit results and provided detailed comments and feedback in exchange for Mr Keith Lingard as originally contracted.

### **4.3 ACTIVITY PROGRESS**

#### *4.3.1 Objective 1: Organizational Policy Review*

Stanton Partners was tasked with the following specific activities in delivering this objective:

- 1.1 Undertake a Capacity Assessment including assess GWSPA policies, strategic audit focus in COA, examine GWSPA audit practices and procedures and prepare a Policy Paper
- 1.2 Develop an Implementation Plan and evaluation framework for the introduction of GWSPA based on a conceptual model
- 1.3 Develop and agree a Conceptual Model for the development of an effective GWSPA activity in COA through regional consultations and benchmarked against international better practice

UNDP had expressed the outputs under its equivalent tasks and functions as completion of these outputs:

- A.1 Assessment Report
- A.2 Evaluation Report on the Study Reports of COA Directors/Auditors posted to SAIs
- A.3 Proposal on Revised Policies and Implementation Plan
- A.4 Monitoring & Evaluation System
- B.1 Conceptual Framework of Proposed GWSPA Model
- B.2 Report on the results of process consultation and evaluation

The milestones have been achieved as follows:

<b>Organisational Policy Review Components</b>	<b>UNDP Tasks and Functions Outputs</b>	<b>Output – Reports Agreed by COA &amp; UNDP</b>
1.1 Capacity Assessment	A.1 Assessment Report	Capacity Assessment Overview (Attachment B) Attachment E Some Key Considerations (Attachment D)
1.2 Implementation Plan and Evaluation Framework	A.3 Proposal on Revised Policies and Implementation Plan  A.4 Monitoring & Evaluation System	Revised or Restated Policies (Section 3) of Policy Paper  Implementation Plan (Section 4) of Policy Paper  Proposed Monitoring and Evaluation System (Attachment G)
1.3 Conceptual Model	B.1 Conceptual Framework of Proposed GWSPA Model  B.2 Report on the results of process consultation and evaluation	Conceptual Framework (Section 2) of Policy Paper (Attachment C)  Verification and Process Consultation Paper (Attachment F)

Some of the materials on which it was originally intended to base the assessment were not available at the beginning of this project. COA had not actually completed any GWSPA as at first indicated, whilst most regions had not had any exposure to what had been cited as the three GWSAs that had been initiated since 1998. This required that attention be turned to other VFM audit reports to develop an understanding of COA's capacity to undertake VFM audits generally as a base to undertaking GWSPAs. This in turn extended the time required for the capacity assessment and development of the conceptual model.

Consultations were undertaken jointly to verify the assessment of COA's capacity to undertake GWSPAs. Consultations were held in Central Office/National Capital Region (including some auditors from Region III) with two groups, and in CAR, Region VIII and Region X. The results were consistent across the regions and consultations were not held in a further 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 the conduct of pilot audits. The consultation process is discussed in more detail in Attachment F.

At the conclusion of this process a series of papers were prepared and presented to COA and UNDP on 24 April 2002 for discussion and agreement. The papers included:

- Overview Report
- Assessment Report
- Proposal on revised policies and implementation plan
- Monitoring and Evaluation System
- Conceptual framework of proposed GWSPA model

Following extensive discussion COA indicated in principle agreement to the conceptual model and agreed to the development of the draft GWSPA manual and training material using this model. The detailed processes required to implement the model were developed on an ongoing basis by Stanton Partners in consultation with COA as part of the development of the GWSPA manual. Experiences and feedback from the workshops, pilot audits and study tours were also incorporated into the methodology. The GWSPA methodology was tested through the pilot audit process and enhanced based on COA staff feedback. This is discussed in more detail in the following sections of this report.

During May 2002 the COA study tour groups all returned to Manila after visiting the United Kingdom, the United States of America and Australia. Director Hanopol and Ms Laquindanum, who participated in the UK tour, provided a verbal and draft written report on their experiences and the application of what they have learned to Stanton Partners and the GWSPA workshop.

The Evaluation Report on the Study Tour Reports of COA Directors/Auditors posted to SAIs, was presented to the Operational Taskforce and Stanton Partners on 10 June 2002. All groups indicated the study tours were extremely useful in providing suggestions for COA on how to implement an effective GWSPA function. Following review the Performance Audit Specialist recommended the strengthening of the section on better practices and lessons learnt particularly in relation to how these may apply to COA.

The final study tour reports were reviewed by Stanton Partners and an analysis provided to COA on 10 July 2002. A copy of the analysis report is provided at Attachment H. The key recommendations of the study tour groups was consistent with the approach and detailed processes being developed in the draft GWSPA Manual and undertaken through the training and pilot audits. The Study Tour Reports provided strong confirmation of the project approach and methodology as international better practice and applicable to the Philippines.

In the original proposal the study tours were to be completed prior to the development of the conceptual model and the reports from each group made available during the completion of the activities under Objective one. This did not occur and as a result the Study Tour Reports were included at a later stage than planned. This did not materially affect the delivery of the project. In fact the delayed study tours provided the opportunity for Stanton Partners to have extensive consultation and input to the planning of the study tours and facilitate a more targeted approach to the research undertaken. The Study Tour Reports were incorporated into the ongoing revision of the draft manual and training as COA enhanced the understanding of GWSPA and gained practical experience.

#### *4.3.2 Objective 2: GWSPA Methodology*

The terms of reference for this project provide the following activities for the completion of the GWSPA methodology:

- Prepare comprehensive GWSPA manual based on risk-based and performance audit methodologies
- Prepare and deliver program of training to up to 30 GWSPA Audit Trainers

In developing the conceptual model Stanton Partners concluded there are a number of administrative/organizational issues that need to be addressed for COA to undertake effective GWSPAs that will have at least the same audit impact as a financial audit or a compliance audit, namely audits that add value. These issues have been addressed through the development of the GWSPA Manual and presented through the training material, workshops and pilot audits.

The current VFM audit methodology of COA is based on the ASOSAI Guidelines on performance auditing and was endorsed by Stanton Partners as a sound basis for audit conduct. The current VFM audit methodology does not however have an up to date methodology manual or reporting process targeting key stakeholders.

Both COA and Stanton Partners expressed concern that to-date VFM audits conducted and particularly GWSPAs had not achieved the desired results. Stanton Partners recognised that although the ASOSAI model is a sound basis it is general guidance and does not provide specific practices and processes for the Philippines. Stanton Partners identified through the assessment process and the development of the conceptual model those stages and processes of the audit requiring improvement. The GWSPA methodology documented in the GWSPA Manual, used in the pilot audits and covered in the training addresses these key areas.

Areas specifically enhanced through this project include:

- Strengthened strategic planning processes that identify key government concerns and target audits with greatest impact;
- Development of a 'Needs for use' audit objectives (focus) and scope of audit, including consideration of risk management and performance monitoring;
- Process enhancement to improve the timeliness of the audit;
- Development of an 'Ownership' during the audit by COA officers;
- Development and implementation of a strategy for reporting for stakeholders.

The draft GWSPA Manual was prepared to address these issues during 2002. The first very draft was used to develop the GWSPA Training. The Manual was then refined and enhanced as Stanton Partners worked closely with COA to undertake the GWSPA Training and pilot audits.

The Manual includes technical direction, suggested processes for implementation and examples from both the Philippines and internationally. The GWSPA Manual is the foundation stone for the ongoing development and implementation of GWSPA and includes detailed process instructions for key stages of the GWSPA.

The draft GWSPA Manual was provided to the COA Steering Committee and Project Management Team in August 2002 for review and feedback. Prior to this Stanton Partners had worked through a number of the areas in detail with key staff to ensure a focused methodology with practical application in COA.

In October and November 2002 Stanton Partners received valuable feedback from the Steering Committee, Project Management Team, pilot audit teams and other COA staff on improvements to the draft GWSPA Manual. The major focus of discussion was on the reporting stage which was being undertaken by the first four pilot audit groups at this time. A

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summary of the suggestions and amendments made to the GWSPA Manual was provided to the Project Management Team in November (Attachment I).

The Manual was also enhanced through the inclusion of further relevant examples arising from the GWSPA workshops and ongoing discussions with COA officers, the review and evaluation of lessons learnt from the study tour groups and experiences of the pilot audits. A copy of the final GWSPA Manual prepared in accordance with Objective 2 of this project is provided at Attachment J.

The GWSPA Manual is the key document for COA in the conduct of GWSPA and will provide the basis for the ongoing development and training of COA officers. It is a living document that will require ongoing updating and enhancement as the risks facing COA in the conduct of GWSPA change and their experiences strengthen. There will also be a need to respond to the strategies and priorities of the government and this may also affect the processes in the GWSPA Manual. In particular the reporting and monitoring chapters may change significantly in the coming two to three years. To maintain a professional and value added audit service an ongoing continuous improvement process has been built into the methodology and will be the responsibility of all staff, but particularly Management Services.

The second activity under Objective 2 was to prepare and deliver a program of training to train COA staff in the presentation of GWSPA. To assist COA with this process Stanton Partners undertook to develop the skills set of a small cell of COA staff in GWSPA. This training included:

- Participation in a Train the Trainer workshop;
- Participation in the GWSPA Workshop;
- Participation in a pilot audit team;
- Presentation (under supervision) of part of a GWSPA Workshop.

This is a comprehensive development program that combines transfer of technical knowledge, skills development and skills application through practical experience.

The ToT workshops were presented over two days each, to two groups of 17 participants each on 29-30 April and 16-17 May 2002. The groups were largely experienced COA trainers and they participated enthusiastically in the training program. During the two day workshop the participants were given a brief introduction to GWSPA and the key principles for success, provided with an opportunity to broaden their thinking in relation to GWSPA and enhance their training skills through presentation of case studies and provision of detailed feedback.

The workshops facilitated the extension of the participants training skills whilst encouraging them to question why they are doing VFM audits and what is the anticipated impact. Participants were also encouraged to work outside their comfort zone, particularly in the practicing facilitation. The workshops allowed the participants to interact and develop a team approach to their work, essential if they were to work together on the pilot audits and ongoing training of COA staff. These staff then all attended GWSPA Workshops.

The first two pilot audits commenced in July 2002 and were staffed by COA officers who had participated in the train the train workshops and the GWSPA Workshops (discussed below).

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These staff were closely monitored by the Performance Audit Specialist and provided with practical advice on how to extend their skills and understanding to develop a sound basis for ongoing training activities.

In July and November 2002 a small group of these officers then assisted the Performance Audit Specialist to present GWSPA Workshops to COA staff. They were provided with feedback on areas to strengthen in their presentation and assisted with additional information on international better practice. COA staff used the GWSPA Manual, GWSPA Training Manual and their pilot audit experiences to present as trainers.

Throughout this capacity building project the GWSPA Manual has been developed with the needs of COA foremost. The examples relate where possible to the Philippines and international experience has been clearly linked to show applicability in country. The use of the GWSPA Manual for training and pilot audit work further strengthened the content whilst providing the added bonus of developing staff skills and understanding. The Manual development also effectively used consultation to ensure ownership and ongoing sustainability of the Manual through continuous improvement mechanisms.

The approach of Stanton Partners to trainer development recognises 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.

One of the key areas requiring enhancement for the effective conduct of GWSPA is comprehensive outward focused strategic audit planning. During the GWSPA training, pilot audits and ongoing discussions Stanton Partners worked with the Management Services staff to explain the process in full and enhance their skills in this area. In November 2002 COA established a Strategic Planning Unit within Management Services in accordance with the GWSPA Methodology. The Unit is resourced with a group of COA officers who participated in the training and pilot audits.

The Performance Audit Specialist worked with the Unit in November and March and on an ongoing basis to assist with development of their first strategic plan for GWSPA. COA is commended on their timely action on this project recommendation. The Strategic Planning process is based on international better practice and is considered workable in the Philippines. By addressing this recommendation in a timely manner COA enhance the ongoing conduct of GWSPA by having a plan in place at the conclusion of this capacity building project. This is essential to ongoing sustainability. In addition COA took the opportunity to draw on the available expertise of the Performance Audit Specialist, thereby strengthening the skills base of staff involved.

#### *4.3.3 GWSPA Audit Training*

The terms of reference for this project provide the following activities for the completion of the GWSPA audit training:

- Assist in the planning and execution of a pilot program of GWSPA audits (6 pilot audits) and assist in evaluating findings and recommendations
- Prepare and deliver program of training to 60 GWSPA Auditors

- Evaluate training and finalize GWSPA audit ToT program and finalize GWSPA manual

During the development of the conceptual model Stanton Partners assessed the capacity of COA to undertake GWSPA and concluded COA staff generally have the technical knowledge to undertake VFM audits.

COA's ASOSAI based VFM/Performance Audit training course is aligned with ASOSAI's Performance Auditing Guidelines and provides sound basic training for VFM audits. That material is therefore not repeated in the GWSPA Training Material or GWSPA Manual, but has been built upon in key areas requiring improvement to achieve success.

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 value for money audits, reducing the period over which the training needs to be undertaken. The training did however need to pick up attitudinal issues in order to change 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.

For these reasons training was conducted in four groups of approximately 17 - 28 resulting in a total of nearly 100 persons trained in GWSPA. This was more than the original anticipated number of 60. In addition, of the total staff trained approximately 65 were from the newly created Management Services Branch with responsibility for the conduct of GWSPA.

Each GWSPA workshop was conducted for 5 days. Nearly all participants were then engaged in the conduct of the pilot GWSPAs, with seven pilot audits conducted over a nine month period.

The GWSPA Methodology Workshops addressed the conduct of GWSPA in the following areas through presentations, activities and discussion:

- **Day One** - Introduction to GWSPA, stages of a VFM audit, key areas of special interest to GWSPA, governance and discussion of audit ownership
- **Day Two** - Strategic and Audit Planning including development of criteria to rank planned audits and considerations in developing an individual audit plan for GWSPA
- **Day Three** - Development of an audit objective, scope and audit criteria for GWSPA
- **Day Four** - Better practice Audit Criteria and analytical techniques, including risk management and performance indicators
- **Day Five** - GWSPA reporting for impact and ongoing evaluation and monitoring

During the GWSPA workshops participants demonstrated strong technical skills in the collection of evidence and confirmed the above areas as being the key priorities to address, particularly the selection of the right audit and the development of a sound audit plan and better practice audit criteria. Participants' knowledge of the principles of VFM auditing was

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good and it was not necessary to spend significant time on this. Participants skills were the target for improvements.

The GWSPA Workshop is as much about transfer of knowledge as development of practical skills, changing of attitudes and the way the staff think. For this reason the workshop is presented to challenge the auditors and push them to work outside their comfort zone, particularly their decision making processes.

The first GWSPA Workshop was conducted in May 2002, the second in June 2002, with the third GWSPA Workshop presented in early July 2002 to allow the timely training of staff for the pilot audits, particularly those with multi disciplinary skills. The final Workshop was conducted in November 2002 and incorporated those staff selected to work on the final two pilot audits which are currently being finalised.

During the workshops the feedback from participants was very positive and comments from individuals indicated a desire for all of the training to be conducted by the International Performance Audit Specialist.

During the period of the project COA undertook a major restructuring of functions and staff. During this process a branch called Management Services was established to specifically undertake GWSPA. The final two training workshops and majority (4 of the 7) of the pilot audits were staffed from this Branch strengthening the ongoing sustainability of the project and audit function. Stanton Partners applauds COA's initiative in focusing this audit function in one Branch and providing a core of staff dedicated to the conduct of these VFM audits. The Management Services auditors will be supported by technical audit experts in the field, creating a multi disciplinary approach consistent with international better practice. To support this the GWSPA training and pilot audits trained a mix of staff.

Based on the GWSPA Manual and experiences in presenting the GWSPA Workshop the Performance Audit Specialist developed and presented to COA a GWSPA Workshop Training Manual to facilitate ongoing training in the methodology. This comprehensive Manual includes:

- Presenters instructions and background information;
- Overheads, activities and case studies;
- Participants handouts;
- Presenter training notes;
- Presenter speaking notes.

The Training Manual was provided to COA staff in October 2002 for use in the November GWSPA Workshop. The COA presenters used the GWSPA Training Manual and draft GWSPA Manual as the basis for their presentation material and enhanced these with practical experiences gained in the field for the November GWSPA Workshop. A copy of the GWSPA Training Manual excluding the participant handouts is provided at Attachment K.

In implementing an effective GWSPA function COA staff also participated in a number of pilot audits during the project. Staff were selected for these pilot audits based on the audit topic and the individual skills and experience of the auditor.

The initial project plan provided for only 6 pilot audits however Stanton Partners agreed with COA an additional pilot audit would be undertaken in 2002 to provide for further practical experience for the newly appointed staff of the Management Services Branch. This additional work was undertaken at no extra cost to the project and provided the opportunity to strengthen the skills of the core unit of COA staff tasked with this audit responsibility.

Therefore the first five pilot audits were delivered as follows:

- One team of 5 people full time and 5 people part time for one month worked on strategic planning for the project pilot audits and a short term GWSPA audit program for 2002/2003. The team worked together in Manila for this period and used the methodology developed by Stanton Partners. At the conclusion of the pilot audit the team developed and had approved by the Chairman a COA short term Strategic Plan for GWSPA. The Plan included a list of proposed pilot audit topics (both government-wide and sectoral), draft audit objectives, and suggested scope and agencies for each audit. The Strategic Planning team also worked with Stanton Partners to refine the Strategic Planning methodology to include a workable ranking system in the GWSPA Manual.
- One pilot GWSPA commenced on Monday 15 July 2002 and completed in December 2002 on the provision of textbooks
- One pilot GWSPA commenced on Monday 15 July 2002 and completed in December 2002 on the management of solid waste in metro Manila
- One pilot GWSPA commenced on Monday 22 July 2002 and completed in December 2002 on aspects of the delivery of the socialized housing program
- One pilot GWSPA commenced on Monday 29 July and completed in December to review the implementation of aspects of the Communal Irrigation System.

Each of the latter four pilot audits involved teams of 10-13 COA officers per audit and required the services of those officers on a full time basis for a three month period. Two of the pilot audit teams were resourced from the newly created Management Services Branch and would be continuing to undertake GWSPA after the project. Therefore if the fieldwork or reporting took a little longer than planned they could continue working on the audit, whilst not having any other competing tasks. For two of the pilot audit teams many of the participants during the conduct of the pilot audit had a number of responsibilities and obligations. This led to the following:

- Additional stress and workload for the individuals;
- Difficulty in completing the planned audit work in the timeframe;
- Delays in completing the reporting (a couple of the reports are still not completed);
- Loss of some team cohesion.

Throughout the pilot audits the Performance Audit Specialist spent considerable time with the teams working through the audit issues and assisting them to develop their analysis and reporting skills. Overall this was the area of greatest weakness for each team. Although each of the auditors demonstrated very good evidence collection skills they predominantly addressed evidence against the criteria in a compliance manner. The question of 'so what?' in relation to how the audit observation affected the ability of the agency to effectively

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deliver the program requires further enhancement. It is important to identify during the audit actual evidence of program failure (effect) and why this occurred (cause). The cause and effect make the writing of recommendations and convincing the agency to change much easier.

The Performance Audit Specialist assisted the teams by providing sample questions and pointers on what the auditors needed to look for in relation to cause and effect. On the whole the teams learnt very quickly but it is one area that the Management Services auditors will need to continually develop.

Stanton Partners commends all of the pilot audit teams for their support and enthusiasm on the audits. They were more complex than previous audits undertaken by the teams and with the adoption of a new methodology the teams worked very hard to complete the work on time. Their willingness to listen, adopt new ideas and bring their considerable experiences in was crucial to the audits success. Although long term evaluation of audit results cannot occur until the future, the teams should be pleased that the audits highlighted a number of significant issues with current government programs that are preventing the effective achievement of the program objectives.

The final two pilot audits (one government-wide and one sectoral) commenced in late November with the assistance of the Performance Audit Specialist in the planning stages and using the strategic planning results of the pilot team. Two teams of approximately 10 COA officers each (largely sourced from Management Services but with essential agency auditor input) have been working on a full time basis. Fieldwork was completed by the end of February with reporting continuing. Following feedback in March on some draft reports further work may need to be undertaken in some areas in relation to the cause and effect of the audit issues being raised.

The Stanton Partners approach was built on a continuous improvement process that provided for ongoing development and strengthening of all the technical material, processes and practices for the conduct of GWSPA. Throughout each workshop the Performance Audit Specialist sought ongoing feedback and was sensitive to the needs of each group to ensure maximum benefits for staff. Formal feedback was also obtained through a survey process. The resulting GWSPA and Training Manuals clearly reflect this feedback and ongoing review.

The final process for the GWSPA Training Program are incorporated into the GWSPA Manual and GWSPA Training Manual. Throughout the project Stanton Partners had close and regular contact with COA Professional Development and incorporated representatives from this important area on the training and pilot audits to ensure the resulting Manuals and processes were applicable.

In addition the Performance Audit Specialist undertook two formal presentations to the COA Chairman, Commissioner, Assistant Commissioners, UNDP, PAGF and other COA senior staff. The presentations were conducted in August and November and provided an excellent opportunity to explain the role of the project, the activities undertaken and the methodology being adopted. The response from those who attended was very positive encouraging more staff involvement and understanding of the project and GWSPA.

## 5. CONCLUSION AND RECOMMENDATIONS

The project has progressed very well, largely as a result of the efforts of the COA staff involved and the cooperation between Stanton Partners and the Commission.

COA provided invaluable input to the development of the conceptual model through furnishing of documentation and ongoing consultation. Staff participating in workshops and pilot audits have been enthusiastic and shown a satisfactory skill level and understanding of the principles of VFM auditing. Feedback and consultation on all outputs has been extensive and undertaken in a cooperative manner.

In relation to the project objectives, all outputs were met during the project with the final activities coming to a conclusion at this time. Stanton Partners and COA worked together to ensure:

- A larger number of people were trained than envisaged (nearly 100 staff of which 60% were from the Management Services Branch),
- Development and practical application of a GWSPA Methodology Manual and GWSPA Training Manual incorporating international better 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 Management Services and other audit staff with practical experience in the planning, execution and reporting of GWSPA;
- A small core of staff with experience in strategic planning.

The pilot audit teams should be congratulated on their willingness to extend their skills and try new approaches. Their enthusiasm and interest is one of the key reasons for the success of the project.

The challenge for COA in the coming year will be the ability of the Commission to identify those audit issues that are the most significant in the Philippines and to continue to plan and undertake GWSPAs that add value. The audit results must be based on analysis that is focused on the evaluation of program performance and in particular concerned with matters beyond mere compliance. Reporting must be timely and targeted at key stakeholders.

In addition the COA Executive and Management Services are encouraged to:

- Review and reissue the policy defining GWSPA to remove the confusion in relation to ‘activities’ as it appears in both definitions;
- Implement the full strategic planning process including consultation with key stakeholders and within COA;
- Establish the Annual Evaluation process designed to seek out feedback and measure the success of audits conducted, including establishing the performance measures proposed and agreed in the GWSPA Manual;
- Undertake a proactive approach to marketing the GWSPA reports through presentations to key stakeholders.

Overall staff on the training and pilot audits strengthened their skills considerably throughout this year however future audit results need to go further. The auditors need to ensure when

an audit observation is identified they look beyond what was found and question what impact this issue has 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 eventuated or not. COA needs to focus on the cause of the audit observation (more than mere failure to comply with something). This will provide COA with the evidence to furnish a report with practical recommendations and information to convince the agency to change.

Stanton Partners would like to take this opportunity to thank all COA staff who have participated in this capacity building project. It has been a cooperative approach that has the potential to provide long term benefits to COA and been a pleasure to be involved in.