Final Report on the Integrity Development Review of the Philippine Navy, Armed Forces of the Philippines

AFP-PN Assessment Team

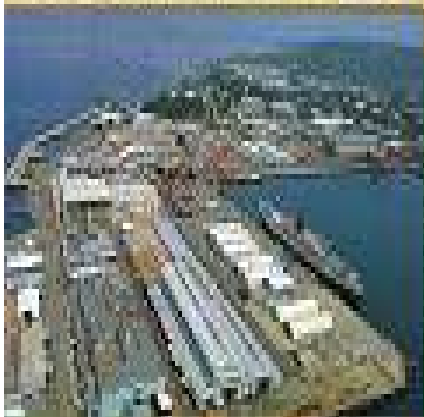Development Academy of the Philippines

PHILIPPINE NAVY

HUKBONG DAGAT PILIPINAS

NAVAL WARFARE

COASTAL & OFFSHORE PATROL

RESCUE AND RELIEF

SEALIFT AND TRANSPORT

"To develop, organize, train, equip, deploy and maintain navy forces for prompt and sustained naval and maritime operations to accomplish the AFP mission."

FUNCTIONS

- To organize, train, equip, maintain and operate naval forces and naval aircrafts including naval reserve units, necessary to provide water-borne support and assistance required by the Armed Forces of the Philippines in the accomplishment of its mission;

- To assist the proper governmental agencies in the enforcement of laws and regulations pertaining to navigation, immigration, customs, revenue, opium, quarantine, fishing and neutrality in the territorial and contiguous waters of the Philippine Archipelago;

FUNCTIONS

- To develop, in coordination with the other major services and area commands the doctrines, procedures, and naval equipment for joint operations, and the doctrines and procedures for amphibious operations;

- To be responsible for the naval phases of reconnaissance, anti-submarine warfare and the protection of shipping; and

- To perform such other duties as the President may direct.

Peronnel type	CY 2006
Military	
Officers	2,341
Enlisted personnel	20,804
Civilian	
Permanent	1,211
Casual	416
Contractual	137
TOTAL	24,909

AFP-PN Assessment Team

Team Leader

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Assessors

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Why the Philippine Navy?

1. Composite service in the AFP (personnel for naval operation-sailors, personnel for ground operation-marines and personnel for air operation-naval air group; and the civilian complement)

2. Personnel strength is between the total strength of the Philippine Army and Philippine Air Force

3. Enhance the PN's organizational integrity

PN Commands Selected for Study
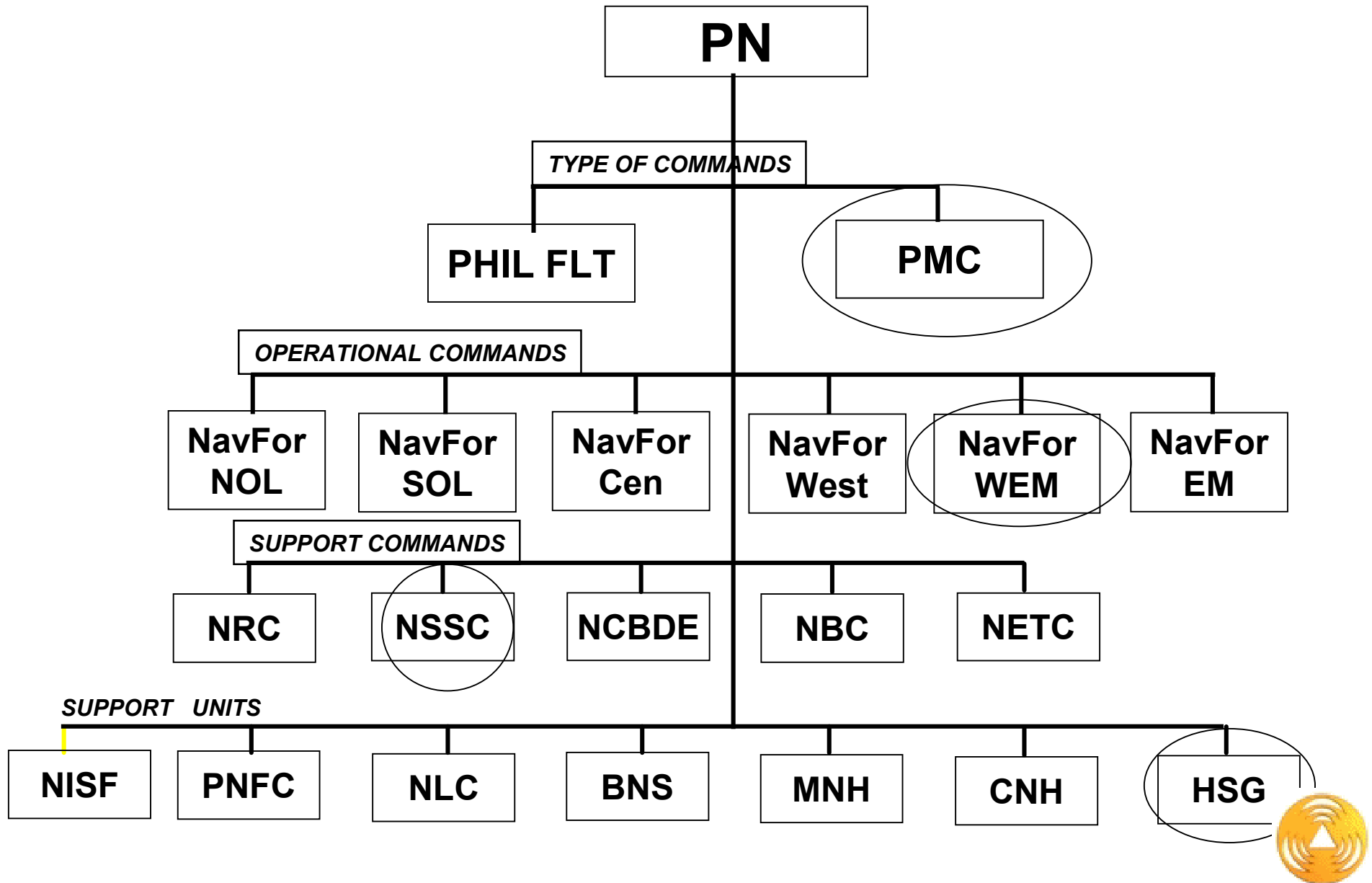
1st Stage:
Corruption Resistance Review

- ❑ Integrity Development Assessment (IDA)
- ❑ Survey of 368 randomly selected officers, enlisted personnel and civilian employees (four sites)
- ❑ Document Review (Indicators Research)

Schedule of CRR Field Assessment

Site	IDA	Survey & Document Review
HPN	6 March	28 February 1-2 March
HPMC	5 March	7-9 March
NSSC	20 March	19-23 March
NFWM	21 March	19-23 March

Leadership
Rating: 2 (Deployment: 50%-60%)

❑**Strengths**

❖Senior leaders have specific responsibility for prevention and detection of corruption

❖Practices and performance of senior leaders in preventing and detecting corruption are regularly reviewed (by OESPA and during Annual General Inspection)

❖The agency reviews (through AGI) the effectiveness of its leadership organization in enhancing the integrity in the organization

❑**Good Practices**

❖Promotion of "I-text si FOIC" in HPN, NSSC and NFWM

❖Regular conduct of Troops Information and Education (TI&E) and Commander's Time with rank and file
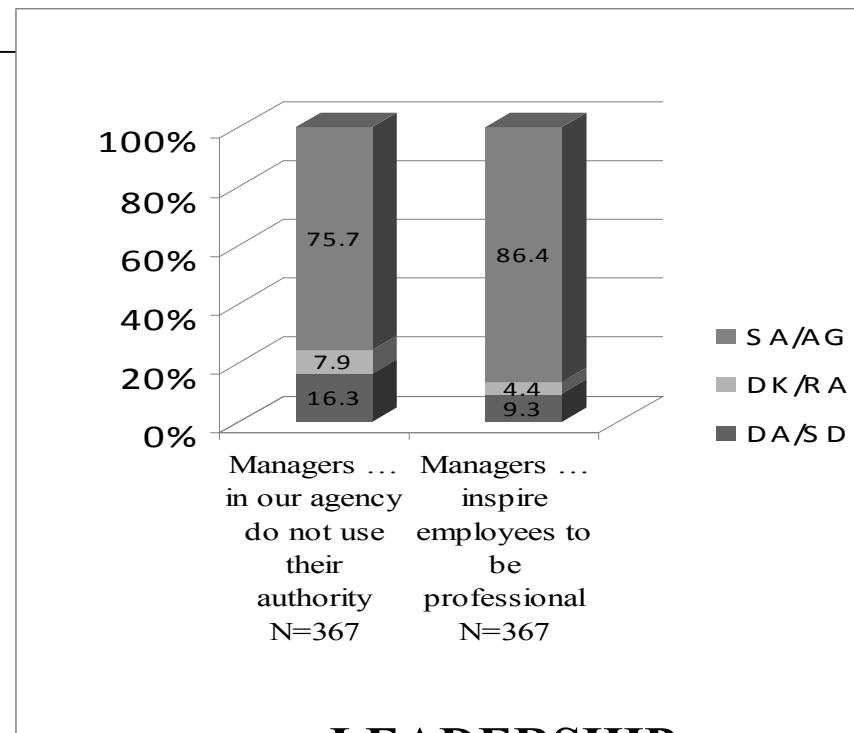
❖Weekly command conference

❏Areas for Improvement:

❖Although corruption prevention is incorporated in the AFP Code of Ethics, specifcally in section 4.3. Unethical Acts and 4.4 Corrupt Acts, the agency need to come up with very specific policy on corruption prevention and **detection**

Survey Results:

❏Results of Survey

LEADERSHIP
AFP PN IDR Survey

Code of Conduct
Rating: 3 (Deployment 90%-100%)

❑**Strengths**

❖To ensure the implementation of and adherence to the Code of Ethics, four Offices are well in place- OESPA, TNIG, TNPMO, NJAG. These offices also oversees the implementation of anti-corruption program.

❖The agency Code of Conduct has been integrated in key systems and mission critical functions (e.g. provision on conflict of interest are reflected in contracts with third parties).

❖SALN submitted by all Navy personnel are analyzed and acted upon by the OESPA which investigates those who cannot properly account for their wealth and other financial interests.

✠ **Good Practices**

❖Extreme importance of the Code of Ethics in the soldier's way of life is highlighted by the AFP's celebration of Code of Ethics Day observed every 11th day of October

❖Seminar on Code is a requirement for any officer who would be designated to a key position

❖Knowledge of the Code is a requirement for promotion to the next higher grade fo all officers and enlisted personnel
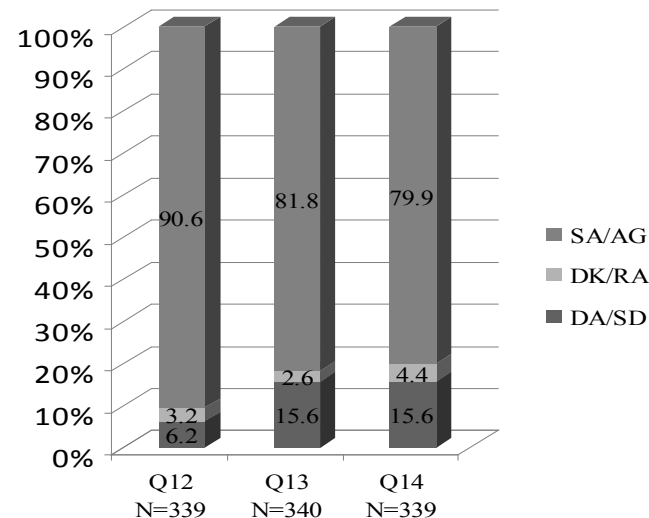
❏Areas for Improvement

❖Close monitoring of the results of OESPA survey conducted last March 2007 as to the actions taken by the PN management

❖Check feedback mechanism as to effectiveness of the program

❖SALN analysis and evaluation training for the OESPA personnel

❖Dedicated OESPA personnel for the analysis and evaluation of SALN

❖Regular review of the AFP Code of Ethics as to its responsiveness

❏Survey Results

Q12. A written code of ethical conduct is being followed in our agency.

Q13. Adequate orientation on the code of conduct and other corruption prevention measures are provided in our agency.

Q14. Those who violate the code of conduct are punished.

Gifts and Benefits
Rating: 0

❑**Strengths**

❖General provision on receiving gifts is found under AFP Code of Ethics

❖**Areas for Improvement**

❖Clear cut and customized policy and guidelines on receiving of gifts and donations. Such policy and guidelines must specify the pertinent or particular acts prohibited and those that maybe allowed. The said policy must provide for the concomitant penalties and sanctions in violation of said policy.

❖Put in place a registry of gifts. The registry will specify the kind of gift or donation, the amount, the name of the giver, the date when the same was given, and how it was disposed of.

❖Dissemination of the policy/guidelines down to the unit level and even to the outside stakeholders. The said policy must be integrated with other policy directives of other offices departments within the organization for proper monitoring and measurement of its effectiveness

Q17. The The employees in our agency are made aware of the policy on solicitation and receiving of gifts.

Q18. The transacting public and suppliers know the policy of our agency on solicitation and receiving of gifts.
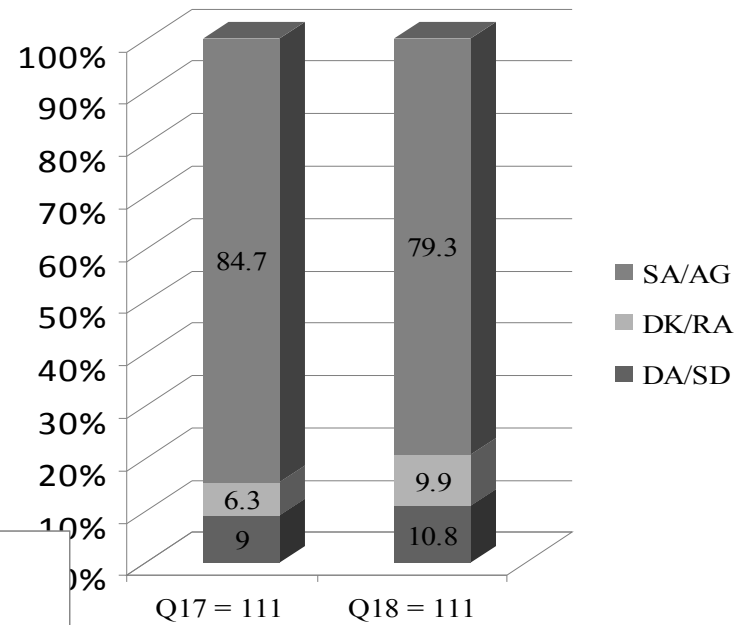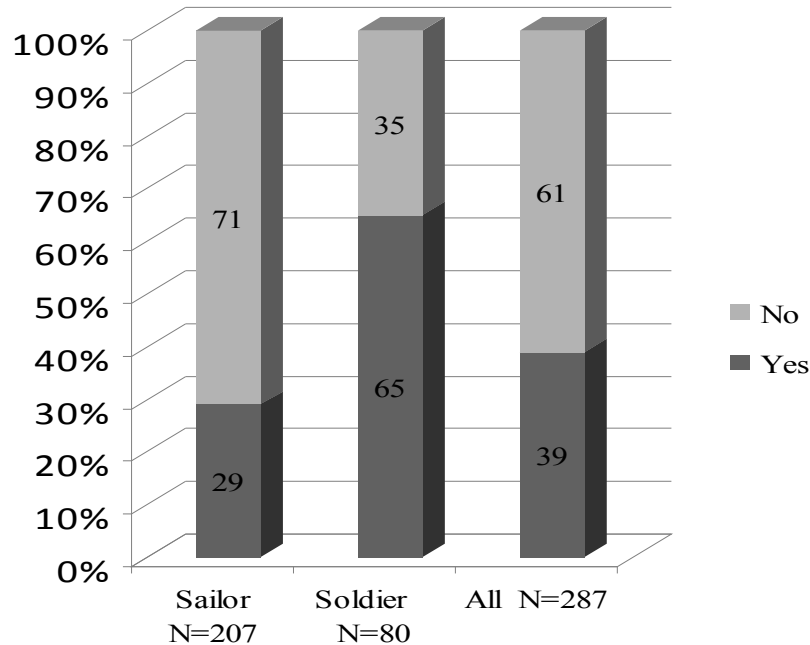
Agency Policy on Gifts and Benefits?
AFP PN IDR Survey March 2007

How much do you think is an acceptable personal gift to you from the transacting public or suppliers?

Amount	No. of Responses
No answer	45
0	280
30	1
50	4
100	8
200	3
300	1
350	1
500	9
1000	9
3000	1
5000	4
10000	2

Human Resource Management
Rating: 3 (Deployment 70%-80%)

❑**Strengths**

❖Level of Achievement in rating 4 are fully satisfied except in the absence of post employment policy for resigning/retiring military personnel

❖Professionalization of the core of soldiers by elevating the level of educational attainment

�֎ **Good Practices**

❖Stringent screening process for recruitment and promotion of officers and enlisted personnel

❖Political intervention in recruitment of officers and enlisted personnel are immediately denied through formal writing

❖Waivers (for requirements/ qualifications) are no longer accepted

❑Areas for Improvement

❖Post employment policy for resigning/retiring military personnel

❖Control measure on political intervention

❖Decentralization/Regionalization of training units for career courses

❑Survey Results

Q23. The process for recruitment in our agency follows a set of criteria.

Q24. The process for promotions in our agency is free from external influences.
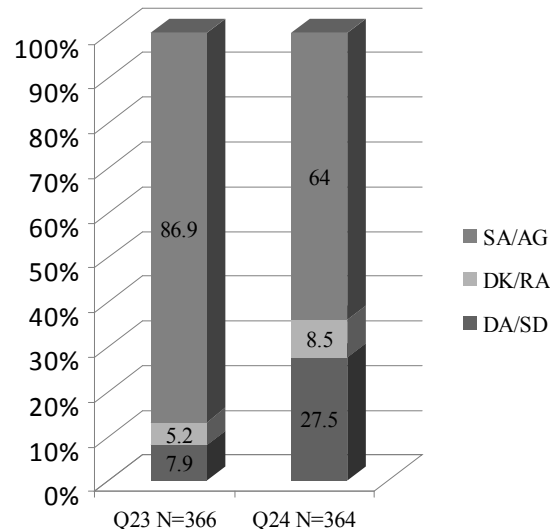
Criteria for Recruitment?
P=05

Q23 N=366 | Q24 N=364

Q23: SA/AG 86.9, DK/RA 5.2, DA/SD 7.9
Q24: SA/AG 64, DK/RA 8.5, DA/SD 27.5

Legend: SA/AG, DK/RA, DA/SD

Sailor N=212 | Soldier N=154 | All N=366

Sailor: DK/RA 8.5, SA/AG 84
Soldier: DK/RA 7.1, SA/AG 90.9
All: DK/RA 1.9, SA/AG 86.9

Legend: DK/RA, DA/SD, SA/AG

❑**Strengths**

❖The agency links staff performance ratings with the attainment of unit's targets and level of performance

✠**Good Practices**

❖Semestral Program and Budget Performance Review

❖Meritorious promotion for military personnel

❖The Annual General Inspection provides detailed assessment of organizational efficiency and effectiveness, state of morale and welfare of personnel and resource management based on survey, ocular inspection and interviews.

❑**Areas for Improvement**

❖Come up with consolidated record of rating classification of assigned officers, enlisted personnel and civilian employees in the unit as basis for analyzing individual performances in relation to corruption incidence in the area

❖Centralized record of rating classification of all PN Officers, enlisted personnel and civilian employees for monitoring purposes

❑Areas for Improvement

❖Implement the policy on the proper granting of Performance Incentive Bonus (PIB) for all PN personnel and not an standard amount for everybody in order not to defeat the purpose of the PIB as stipulated in the policy. Moreover, the practice of granting a standard amount of PIB is creating a discouraging effect on those who are performing their jobs efficiently and effectively since those who are not, are anyway receiving the same benefit.

❖Units lacking with officers in key positions must be filled-up to solve the deployment problem/ implementation of important policies/ concerns that need to be monitored to achieve maximum results

❖Strengthen the four (4) investigative bodies including the OTNIA in terms of personnel capabilities and fund support

PERFORMANCE MANAGEMENT
AFP PN IDR Survey
March 2007

Q27. Outstanding performance is rewarded in our agency.

Q28. The employees in our agency are regularly provided feedback regarding their performance.

Q29. The employees of our agency are given the yearly performance bonus regardless of how they performed.

	SA/AG	DK/RA	DA/SD
Q27 N=367	85.6	3	11.4
Q28 N=367	86.1	4.1	9.8
Q29 N=367	72.2	6.5	21.3
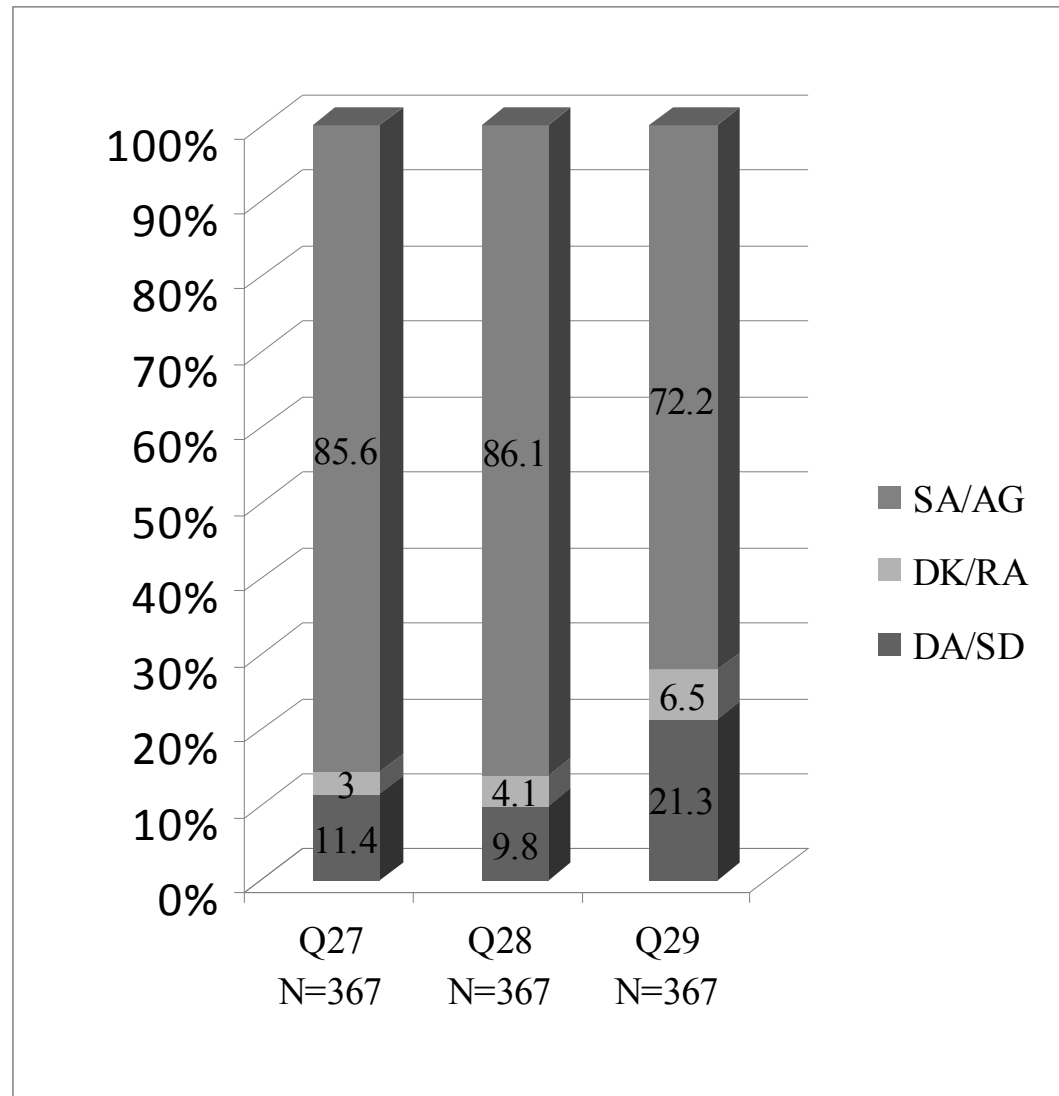
Procurement Management
Rating: 3 (Deployment 50%-60%)

❑Strengths

❖Agency estimates are reviewed to reflect current/best market prices from Government e-Procurement Service. Controls are instituted to ensure that specifications are not skewed or tailor-fitted to favor specific bidders.

❖The agency Code of Conduct is integrated in the bidding document.

✠Good Practices

❖Blacklisting of suppliers contractors is practiced

❖Technical Working Group (TWG) and Technical Inspection, Acceptance Committee (TIAC) and MFO Pre-audit are in every project as control measures

❖If items are not included in APP, there will definitely no procurement ("No APP, No Procurement")

❑**Areas for Improvement**

❖Share listing/data-base of blacklisted suppliers/contractors with other government agencies

❖Re-assess organizational structure of AFP PS/CO table of organization and equipment (TO&E), and fund support
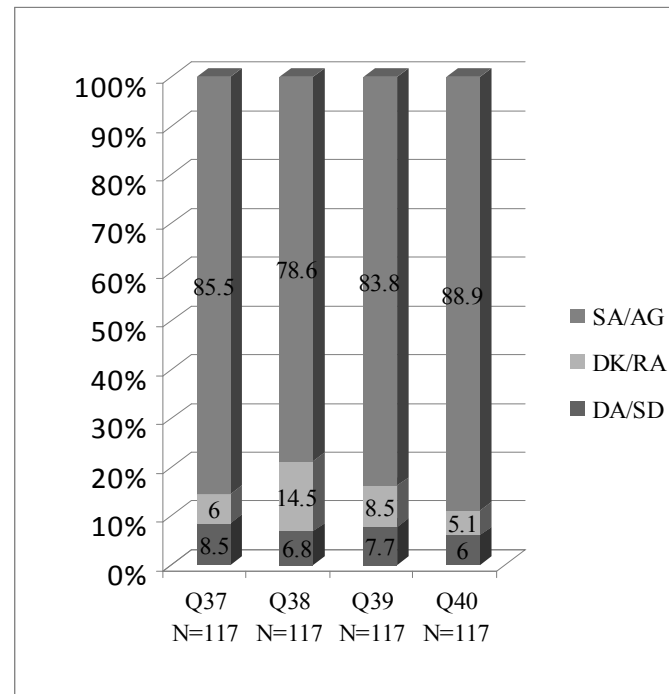
❑**Survey Results**

Q37. Procurement in our agency follows the procedures as stipulated under the Procurement Law or RA 9184.

Q38. Bids and Awards Committee (BAC) decisions are impartial.

Q39. Non-performing suppliers are blacklisted.

Q40. Relevant personnel are well trained on the entire procurement process – from bidding to inspection/utilization.

Suggestions to improve the procurement process

Be open, no under the table transactions, wag umabuso ang mga nasa itaas, pantay-pantay na pagtingin sa mga tauhan, observe transparency and traceability, no favoritism and palakasan system, lahat through BAC na lang, be just, dapat dumaan sa bidding	20.05%
Pagandahan ang trabaho, follow flow of work, follow procedures, properly execute rules, strict compliance to RA 9184, first in first out in distributing items, stick to time line	17.38%
Procure quality items, procure necessary and important items only, substitution of other essential items, upgrade version of procured items like in computer processors, i-check ang quality ng delivered items, procure fast moving products only, on-time delivery dapat	16.31%
More information dissemination, everyone should be informed on the procurement process, train personnel on procurement process, seminars and trainings, keep update on procurement status, invite more dealers/bidders	5.88%
Review and evaluate RA 9184 to expedite the tedious process and be able to respond quickly to agency's needs, streamline process of procurement, transition in procurement	5.08%
Hire/Appoint personnel of unquestionable integrity and not corrupt in procurement, assign well trained personnel, kailangan magaling ang personnel dito	4.01%
Enough budget/fund to process procurement, maagang pagrelease ng budget	2.67%
Decentralized bidding, granting of SDO for emergency purchases	1.60%
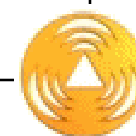
Financial Management
Rating: 2 (Deployment 50%-60%)

❑**Strengths**

❖The agency's financial performance is analyzed vis-à-vis accomplishment of its physical targets to assess the organization's cost-effectiveness.

❖Some of the COA audit findings are immediately acted upon and resolved by management.

❖The agency's financial reports (including COA Annual Audit Reports) are published/made available for public inspection.

❈**Good Practices**

❖PN is in the preliminary stage of e-NGAS implementation

❖Semi-annual conduct of Program Budget and Performance Review (PBPR)

❖Regular consultation meeting of Program and Budget Advisory Committee (PBAC)

❖Regular conduct of financial audit by TNIA

❑ Areas for Improvement

❖Regular review of financial, accounting and administrative controls/systems to ensure effectiveness in preventing corruption and enhancing integrity.

❖Results of the review should be fully utilized for purposes of planning and budgeting and to strengthen the agency's financial management system.

❖Policy on liquidation of cash advances should be strictly implemented.

❑Survey Results:

Q33. The management scrutinizes our agency spending.

Q34. Financial statements and audit reports of our agency are accessible.

Q35. Employees know who and where to report irregularities in financial transactions.
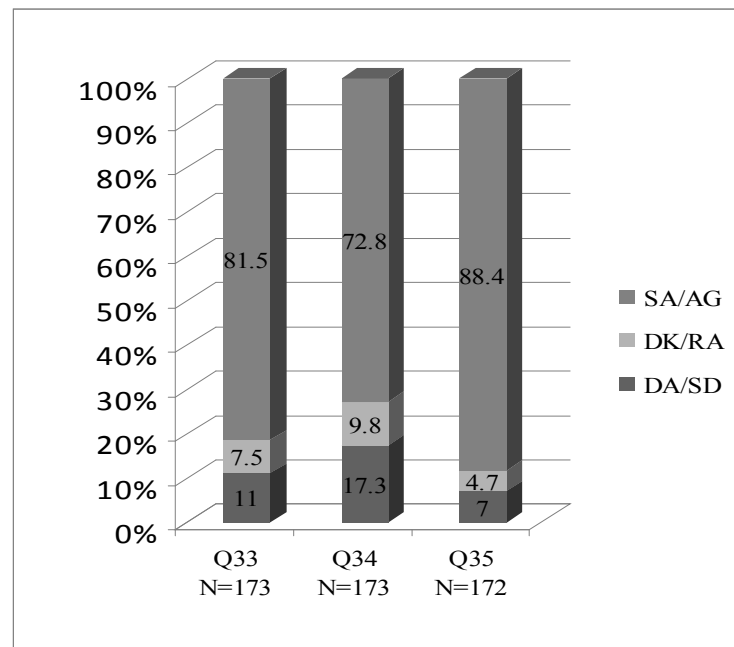
Internal Reporting and Investigation
Rating: 0

❑**Strengths**

❖General provisions found under the AFP Code of Ethics on investigation of wrongdoings

✖**Good Practices**

❖Promotion of "i-TEXT mo si FOIC" to allow complaints of any wrongdoing in the service against erring official or military serviceman especially those pertaining to corruption-related activities

❑**Areas for Improvement**

❖Provide written policy or guidelines in the conduct of internal reporting and investigation of information and reports on corruption

❖Dissemination of such policy down to unit level

❖Specific training/s of relevant personnel to handle investigation of reports

INTERNAL REPORTING
AFP PN IDR Survey
March 2007
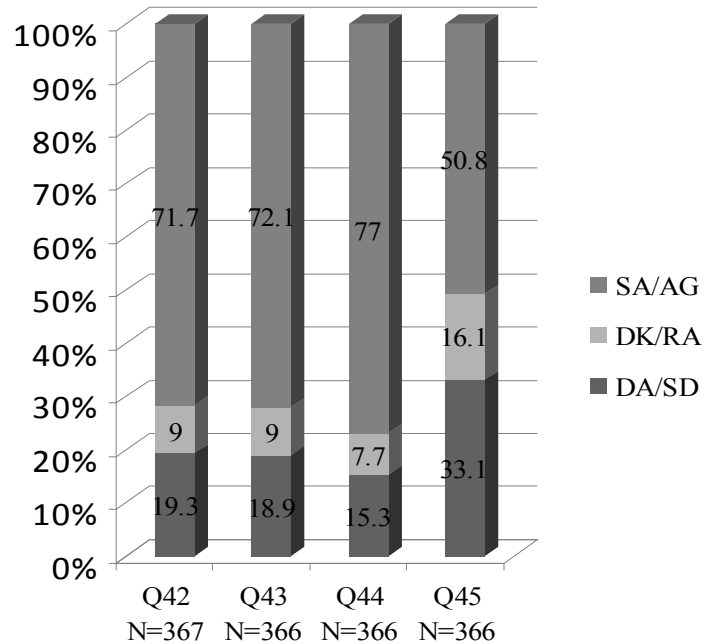
Q42. Employees are encouraged to report corrupt and unethical behavior within the agency.

Q43. Guidelines to employees for reporting corruption and unethical behavior are clear.

Q44. Reports of employees on corrupt behavior are investigated.

Q45. Employees who report corrupt behavior are protected.

Chart 1 (left): Stacked bar chart with legend SA/AG, DK/RA, DA/SD

	Q42 N=367	Q43 N=366	Q44 N=366	Q45 N=366
SA/AG	71.7	72.1	77	50.8
DK/RA	9	9	7.7	16.1
DA/SD	19.3	18.9	15.3	33.1

Reported Corrupt Behavior You Have Witnessed?
AFP PN IDR Survey March 2007

Chart 2 (right): Stacked bar chart with legend No, Yes

	Sailor N=210	Soldier N=52	All N=262
No	89	57.7	82.8
Yes	11	42.3	17.2
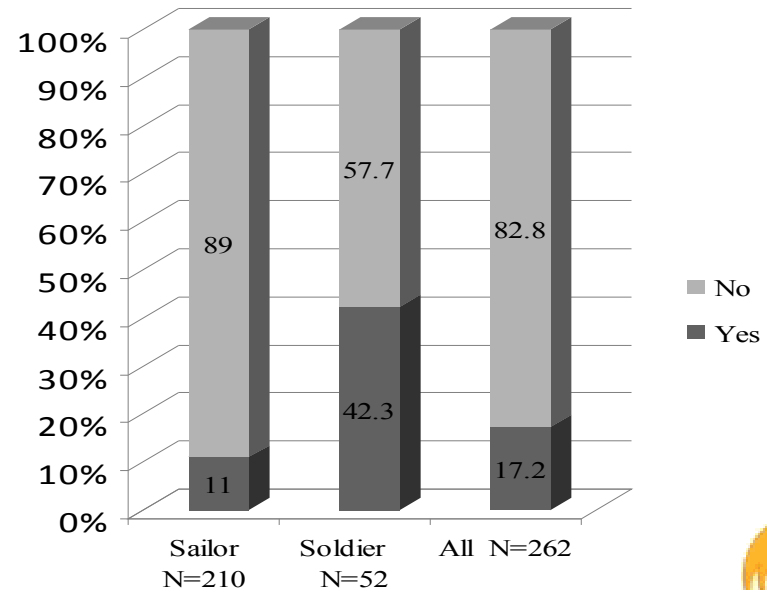
Suggestions to improve internal reporting

Protection for the whistleblowers, ensure confidentiality of the report, rewards for whistleblowers	23.95%
No answer, no idea, no comment	14.74%
Report to proper authorities, immediate reporting of unethical behavior, be honest when reporting, do not be afraid to report	9.74%
Immediate action and investigation on the reported cases, punishment to ones proven guilty of corrupt and unethical acts, due process	9.21%
Information dissemination and seminars on corruption and unethical behavior prevention, encourage employees to report, provide guidelines on internal reporting, anti-corruption surveys	6.05%
Suggestion boxes, texting lines and hotline for reporting corruption cases, strengthen and continue the "text mo si FOIC,' enhance text brigade system, thru internet, proper information system	5.79%
There should be a separate/independent body in charge of corruption prevention in the agency (handling cases and reports, investigation and monitoring), strengthen internal auditor	5.26%
Proper monitoring of finances and activities of the employees, proper monitoring and evaluation of employees' performance and procurement process, regular audit, monthly reports, audit of COA - twice a year, maintain recordbook or cashbook, training for the monitoring body	5.00%

Corruption Risk Management
Rating: 0

❑**Strength**

❖The agency recognizes the role of internal audit in the prevention and detection of fraud and corruption.

❀**Good Practices**

❖Increased awareness on the role of OESPA on the resolution of cases (from 2005 to 2006)

❖Continuing implementation of the IDAP action plan

❑**Areas for Improvement**

❖Identify high-risk operations and functions in the organization

❖Proactive assessment of corruption risk areas

❖Corruption risk assessment and corruption prevention planning should be part the training to be given to the relevant personnel

❖Come up with corruption risk management/ corruption prevention plan to address identified risks

CORRUPTION RISK MANAGEMENT
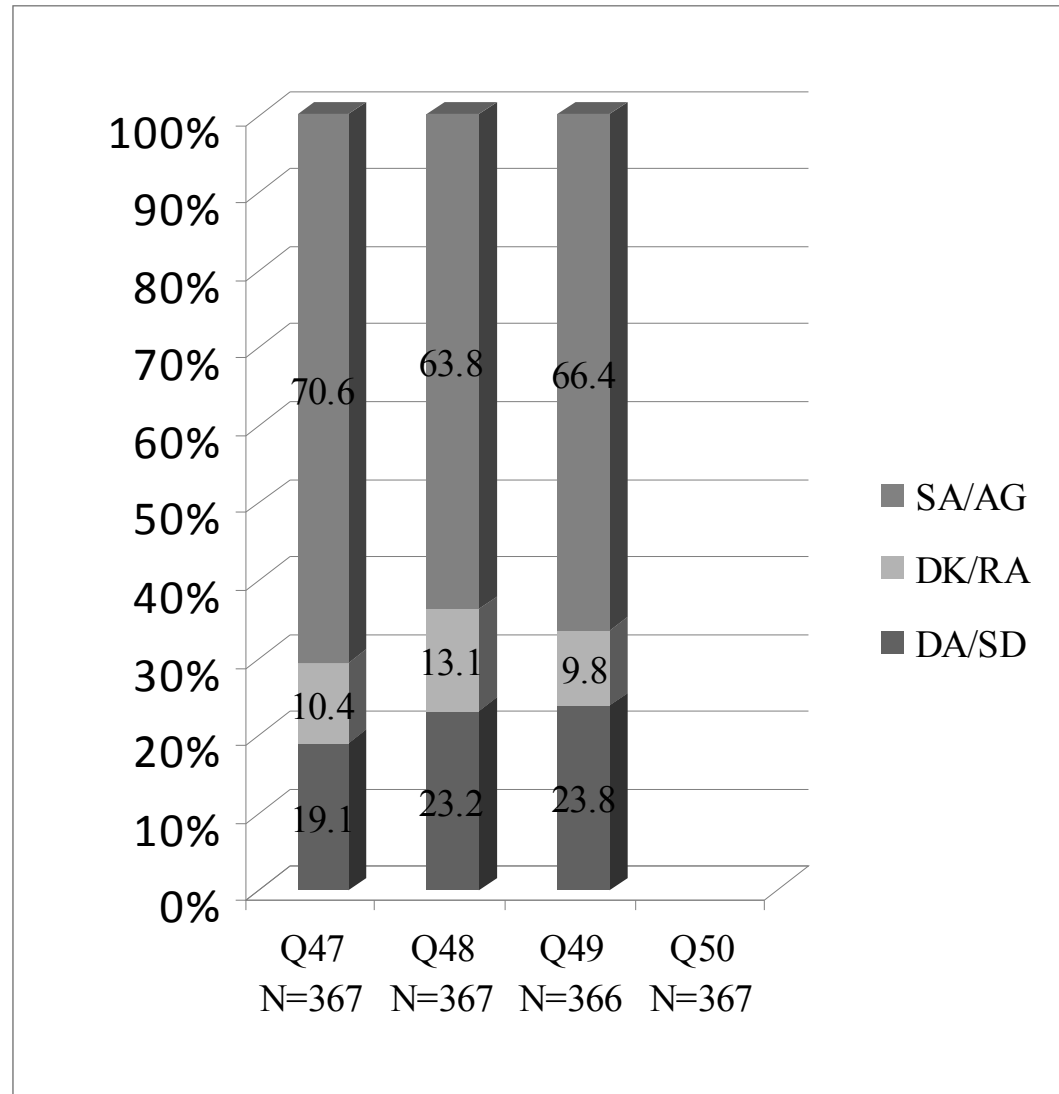## AFP PN IDR Survey
March 2007

Q47. Our agency implements measures to identify potential fraud and corruption.

Q48. It is difficult to corrupt our current system of operations.

Q49. Employees in our agency are trained to prevent fraud.

Q50. Employees in our agency are trained to detect fraud.

Q51. Our agency is successful in fighting corruption.

Types of Corruption in the Agency

Nepotism/Favoritism	2.06	Medium
Overpricing of bids	1.98	Medium
Collusion with suppliers	1.95	Medium
Negligence of duty	1.92	Medium
Illegal use of public funds or property	1.89	Medium
Abuse of discretion/power	1.83	Medium
Disclosure of confidential informations	1.73	Medium
Corruption of Filipino values e.g. pakikisama, hiya, etc	1.72	Medium
Falsification of documents	1.68	Low
Collusion with Bids and Awards Committee (BAC) members	1.65	Low
Tolerance of fixers	1.59	Low
Theft of public resources	1.59	Low
Accepting bribes	1.55	Low
Unauthorized collection of funds	1.49	Low
Forgery or fraud	1.48	Low
Others	1.45	Low

Suggestions to present corruption in the Philippine Navy

Service-oriented, dedication and loyalty to work, faith in God, truthful service, discipline, honesty, coordination and cooperation, set a good example, do what is right, be vigilant, matapat sa tungkulin	18.04%
Punishment for those who commit corrupt acts, strict implementation and adherence to rules and regulations, follow the right process, punishment and rewards system, immediate action to cases, strictly implement RA 9184	16.18%
Check and balance, lifestyle checks, regular audits, regular inventory, strict monitoring of employees' performance and transactions, designate an office to conduct regular monitoring, outside party for conduct of audit, checking of supplies to be procured (quality), regular evaluation of personnel	9.02%
Increase salary, proper benefits should be given, timely release of salary and benefits, improve living conditions of employees (ex. Pabahay), promotions	8.49%
Transparency	5.84%
Stop illegal activities, do not accept bribes, stop corruption, eliminate fixers	5.57%
Good leadership, good governance, leadership by example, start with the leadership	3.98%
Immediate reporting of corruption, protection for whistleblowers	2.92%
Proper and constant information dissemination and knowledge on these corrupt practices and how to eliminate them (reporting, investigation process. Etc.), always conduct troop information and education (TIE), regular open forum between leaders and subordinates, leaders should listen to their subordinates	2.92%
Simple living, live within your means, eliminate vices, contentment	1.86%

Interface with External Environment Rating: 1 (Deployment 50%-60%)

❑**Strengths**

❖Relevant personnel are given training on how to handle and resolve complaints

❖Managers monitor compliance with service standards and ensures transactions are isolated from undue interference (i.e. patronage, bribery)

❖**Good Practices**

❖Complaints or feedback can be posted anytime through the PN website

❖Information is proactively disseminated through civil military operation and civil relations service

❖Separate public information office responsible for relevant information dissemination

❑Areas for Improvement

❖Complete record of complaints and feedback from clients should be documented properly to be used for analyzing corruption incidence in the agency and in coming up with a comprehensive plan

❖Examine records of releases of information

❖Review the agency's system of managing interface with external environment for effectiveness in preventing corruption and enhancing integrity

❑Survey Results

Are Complaints Acted Upon By the Agency?

A bigger percentage of sailors (84.4) compared to that of soldiers (76.1) agree with the statement.

A bigger percentage of soldiers (18.1) compared to that of sailors (13.2) disagree with the statement.

p=.08
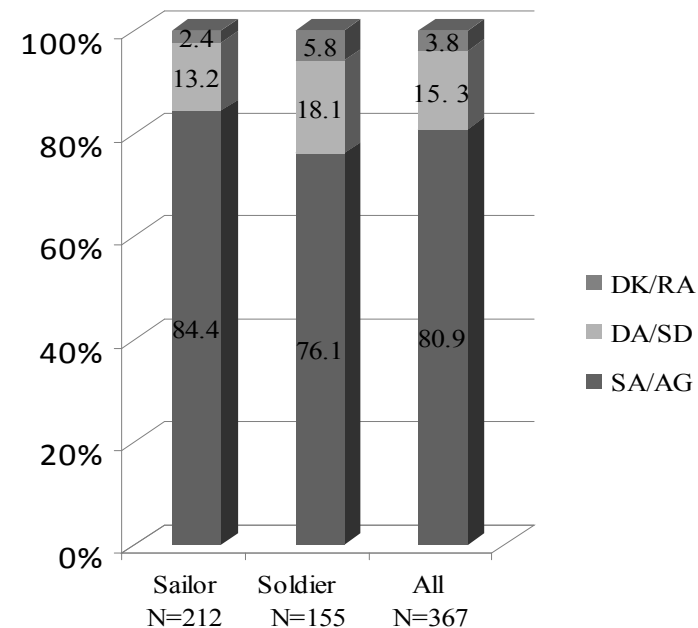
Findings of the Corruption Vulnerability Assessment (CVA)
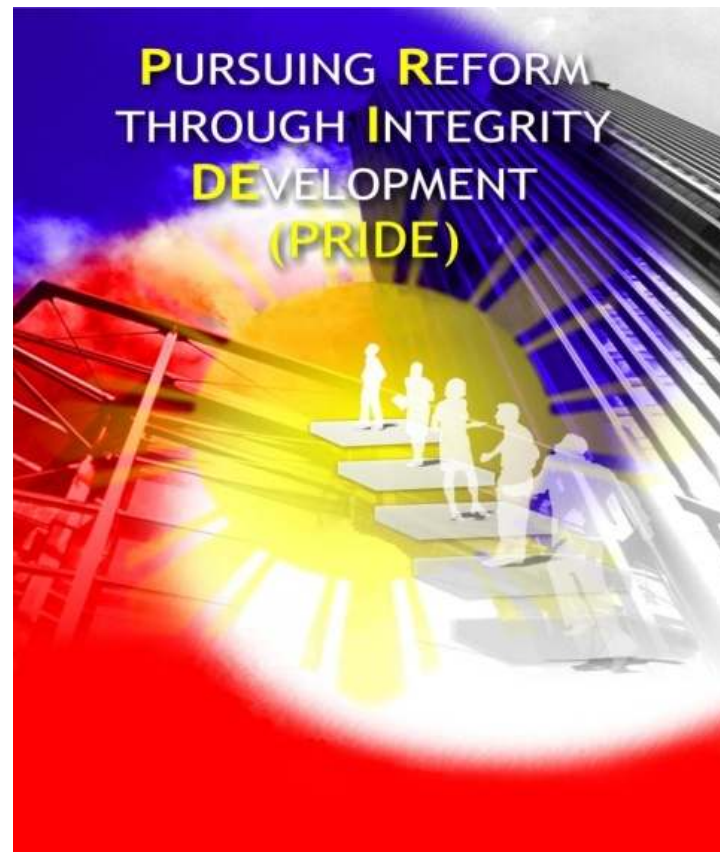
Schedule of Assessment

Site	Recruitment & Promo	Financial Mgt	Procurement	Date of Assessment
HPN	+	+	+	May 15-18, 2007
PMC	+	+	+	May 21-25, 2007
NSSC Cavite City		+	+	My 27-Je 1, 2007
NFWM, Zambo City		+	+	June 4-8, 2007

Process 2: HR Management

Process

- Recruitment of NOCC &Candidate Soldiers (White Caps)
- Step 4: Written examination

Purpose

- Measure mental ability

Safeguards/Controls

- Procedures for proper safekeeping of test materials

Possible Risks

- Leakage of examination questions
- Switching of test results

Recommendations

- Review and enhance the integrity measures for the examination process.
- Install an effective reporting system for threats and actual violations of the integrity of the examination process.
- Document and take prompt disciplinary action on all infractions of the rules and procedures.
- Conduct periodic review of test administration performance and improve process.
- Increase transparency in examination process and release of results to examinees.
- Periodically revise or renew test instruments.
- Recruit wider pool of examiners and frequently rotate membership.

High

Likelihood of Occurrence

1. **Fake applicant credentials**
2. **Biased Promotion Board Members**
3. **Connivance, leakage, cheating in recruitment process**
4. **Indifference of CO to morale and welfare of other soldiers**
5. **Biased After Battle /Operations Reports**
6. **Intervention by higher authorities**
7. **Nepotism, "utang na loob", "Palakasan" system**

1. **Bata-bata system**
2. **Excessive CO discretion**

Significance of Impact

High

Process 2: HR Management

Process

- Recruitment of NOCC and Candidate Soldiers (White Caps) and PMC soldiers
- Step 3: Screening of applicants

Background

- This process ensures that only qualified applicants are screened for recruitment based on standard criteria set by the AFP

Safeguards/Controls

- Standard criteria set for selection

Possible Risks

- Those not qualified may seek intervention

Recommendations

- Strict adherence to the policy

Process 2: HR Management

Process

- Recruitment of NOCC &Candidate Soldiers (White Caps) and PMC Soldiers
- Step 5: Panel Interview and Deliberation (for NOCC applicants)

Purpose

- Measure communication ability, alertness, enthusiasm to enter the service
- Evaluate overall personality

Safeguards/Controls

- Prescribed rating system
- Members of the board are selected based on criteria

Possible Risks

- Subjectivity of Board Members

Recommendations

- Review and enhance the integrity measures for the panel interview process.
- Install an effective reporting system for threats and actual violations of the integrity of the panel interview process.
- Document and take prompt disciplinary action on all infractions of the rules and procedures.
- Widen pool of Board Members
- Periodically rotate Board membership
- Provide an interview guide and inter-subjective rating template and process
- Documentation and prompt action on all infractions of rules and procedures

Process 1: HR Management

Process

- Promotion of Enlisted Personnel
- Step 1: Conduct of Promotional Examination

Purpose

- Evaluate candidates' ability & proficiency in their rating as Seaman, Storekeeper, etc

Safeguards/Controls

- Prescribed examination safeguards
- Integrity criterion in selection of Examiners

Possible Risks

- Connivance between examiners and examinees
- Leakage of test questions
- Cheating during examinations

Recommendations

- Review and enhance the integrity measures for the examination process
- Document and take prompt disciplinary action on infractions of the rules and procedures covering examination
- Install an effective reporting system for threats and actual violations of the integrity of the examination process.

Process 2: HR Management

Process

- Promotion of Enlisted Personnel
- Step 2. Submission of recommendations for promotion after deliberation

Purpose

- Recommend qualified EP for promotion

Safeguards/Controls

- Monitoring of personnel profile/ status

Possible Risks

- Neglect of Commanding Officer to the career advancement of soldiers and sailors under his command

Recommendations

- Full computerization of personnel profiles/ status
- Review of process for documentation of new information or updating of personnel records of soldiers and sailors
- Periodic HR reports to COs of the career status of soldiers and sailors under their command, with appropriate benchmarks indicating timing and ripeness for promotion
- Documentation of and periodic review of HR management performance of COs.

Process 2: HR Management

Process

- Promotion of Officers (02-03- selection Board "B") (04-05 – Selection Board "A")
- Step 1. Submit recommendation for Board Composition

Background

- Identify the recommendees

Safeguards/Controls

- Without the knowledge of recommendees, recommendations are done covertly
- Set qualifications for board membership

Possible Risks

- Intervention by higher authorities

Recommendations

- Continued adherence to policy

Process 2: HR Management

Process

▪Promotion of Officers (02-03-selection Board "B") (04-05 –Selection Board "A")

▪<u>Step 7. Records check of promotables</u>

Background

■ Ensure that the promotables have no impediments like pending case, accountabilities, etc

Safeguards/Controls

■ Strict implementation of policies

Possible Risks:

■ Connivance with issuing units/offices

Recommendations

Recommendations

■ Continued adherence to the policy

Process

▪Promotion of Officers (02-03-selection Board "B") (04-05 –Selection Board "A")

•<u>Step 10. Interview</u>

Background

■ Determine their mental alertness, total personality

Safeguards/Controls

■ Rating system

Possible Risks

▪Personal bias/subjectivity of the Board members to the candidates for promotion

Recommendations

■ Continued adherence to the policy

Process 2: HR Management

Process:

- Promotion of Officers (06-07)
- Step 1. Deliberation

Background:

- Determine the most qualified candidates for promotion

Safeguards/Controls:

- Rating system
- Revision of SOP Nr 10 as regards the equivalent rating for the Deliberation conducted by the BOSO

Possible Risks:

- Bata-bata system. endorsement, intervention, subjective rating

Recommendations:

- Continued adherence to policy
- Regular study on the responsiveness of the promotion policy

Process:

- Promotion of Civilian Personnel
- Step 3. Paper Screening

Background:

- Evaluate qualifications of candidates for promotion

Safeguards/Controls:

- Verification of eligibility at CSC & scholastic records at concerned school

Possible Risks:

- Fake credentials

Recommendations

- Regular updating and monitoring of 201 files

Process 2: HR Management

Process:

- Step 4. Conduct of aptitude test

Background:

- Measure mental capability

Safeguards/Controls:

- Revision of test questions

Possible Risks:

- Leakage
- Connivance

Recommendations:

- Review of test exam as to responsiveness to the objective of the exam

Process

- Promotion of Civilian Personnel
- Conduct of interview/interaction

Background:

- Determine mental alertness/capability/total personality and proper placement

Safeguards/Controls:

- Strict deliberation process

Possible Risks:

- Nepotism, "utang na loob", etc

Recommendations:

- Continue strict adherence to promotion policy

Process 2: HR Management

Process:

■Promotion of civilian personnel

■Step 7. Deliberation

Background:

■ Determine the most qualified candidates

Safeguards/Controls:

■ Strict implementation of policies

Possible Risks:

■ "Palakasan" system, indorsement

Recommendations:

■ Continue strict adherence to promotion policy

Risk Map: Financial Management

Processing and payment of financial transaction and SDO/Cash Advance System

High ↑

Likelihood of Occurrence

	1. Collusion of Inspector with the dealer/supplier 2. Advance payment (prior to delivery) 3. Procurement of items not emergency in nature 4. Discretionary power of the unit commander on the utilization of funds 5. Procurement of ORs from supplier/dealer 6. Collusion of SDO w/ Accounting personnel
1. Over CA by SDO (w/o liquidating at least 75% of previous CA) 2. Misuse of CAs 3. Use of OR/Sales invoice not registered w/ BIR	1. Use of CA over and above the 10% ceiling of the total MOOE

Significance of Impact → **High**

A. Financial Management in processing and payment of financial transaction

Process:

Step 2, MFO conduct inspection of deliveris

Background:

■ To ensure that delivered items are in accordance with specifications and quantity in the purchase order

Safeguards/Controls:

■ Buddy and rotation systems for inspectors

■ Rendering of inspection report

Possible Risks:

■ Possible collusion of the inspector with the dealer/supplier

Recommendations:

■TIAC should be hands on in the inspection of the procured items

Process:

Step 3, Prepare documents bymode of procurement and payment of financial transaction

Background:

■ To prepare document for processing/ financial transaction

Safeguards/Controls:

■ Documents have gone through different levels of review and inspection

Possible Risks:

■ Possible collusion with the dealer/supplier

Recommendations:

■ Develop/build mechanism for the check and balance of PS / CO/PS function

■ Strengthened role of MFO in conducting pre-audit

A. Financial Management in processing and payment of financial transaction

Process:

- Step 6, Prepare and sign cheque and ACIC

Background:

- To pay the supplier/ dealer

Safeguards/Controls:

- Role of SAO in accepting the delivered items

Possible Risks:

- Possibility of advance payment (prior to delivery)

Recommendations:

- Close monitoring and coordination between MFO, Accounting and regular audit
- Strengthen the role of SAO in the acceptance of the delivered items
- Close monitoring of all signed RIS by the SAO

B. Financial Management in Cash Advance System

Process:

Step 4.1, for obligation

Background:

- To issue approval/granting of cash advance to designated SDO

Safeguards/Controls:

- Regular audit of COA and internal auditors, MFO inspection
- Approved APB and APP

Possible Risks:

- Procurement of items which are no longer emergency in nature
- Discretionary power of the unit commander on the utilization of funds

Recommendations:

- Strict implementation of cash advance system per COA ruling
- Transparency in all financial transactions

Process

Step 4.2: For Notice of Allocation (NTA)

Background:

- Issue NTA within the 10% prescribed ceiling of the total MOOE

Safeguards/Controls:

- Conduct of AGI, regular audit and PBPR
- Processing of the designation of the SDO by the Accounting

Possible Risks:

- Use of cash advance over and above the 10% ceiling of the total MOOE

Recommendations:

- Amendment of RA 9184 through legislation by inclusion of additional provisions for AFP transactions
- Revision of policy/implementation of a "antiquated" COA rules and regulations
- Regular review and analysis of existing DN AFP policies and procedures

B. Financial Management in Liquidation of cash advance

Process:

- Step 2, Certificate of acceptance and report of supplies and materials issued by responsible supply officer (RSO)

Background:

- Crucial in the preparation of liquidating instrument

Safeguards/Controls:

- RA9184
- Annual Procurement Plan
- Program of Expernditure

Identified Risks:

- Procurement of official receipts from supplier/dealer (for items procured with ORs or no ORs and not in accordance with account code*)

Recommendations:

- Need to strengthen pre-audit and audit operation at the unit level

Process

- Step 4, proof of inspection of procred

Background:

- To prepare documents of procured items for inspection

Safeguards/Controls:

- SAO's Acceptance Report
- Pre-audit of MFO
- TIAC's Inspection report
- APB and APP

Possible Risks:

- Possible collusion of SDO with the Accounting personnel
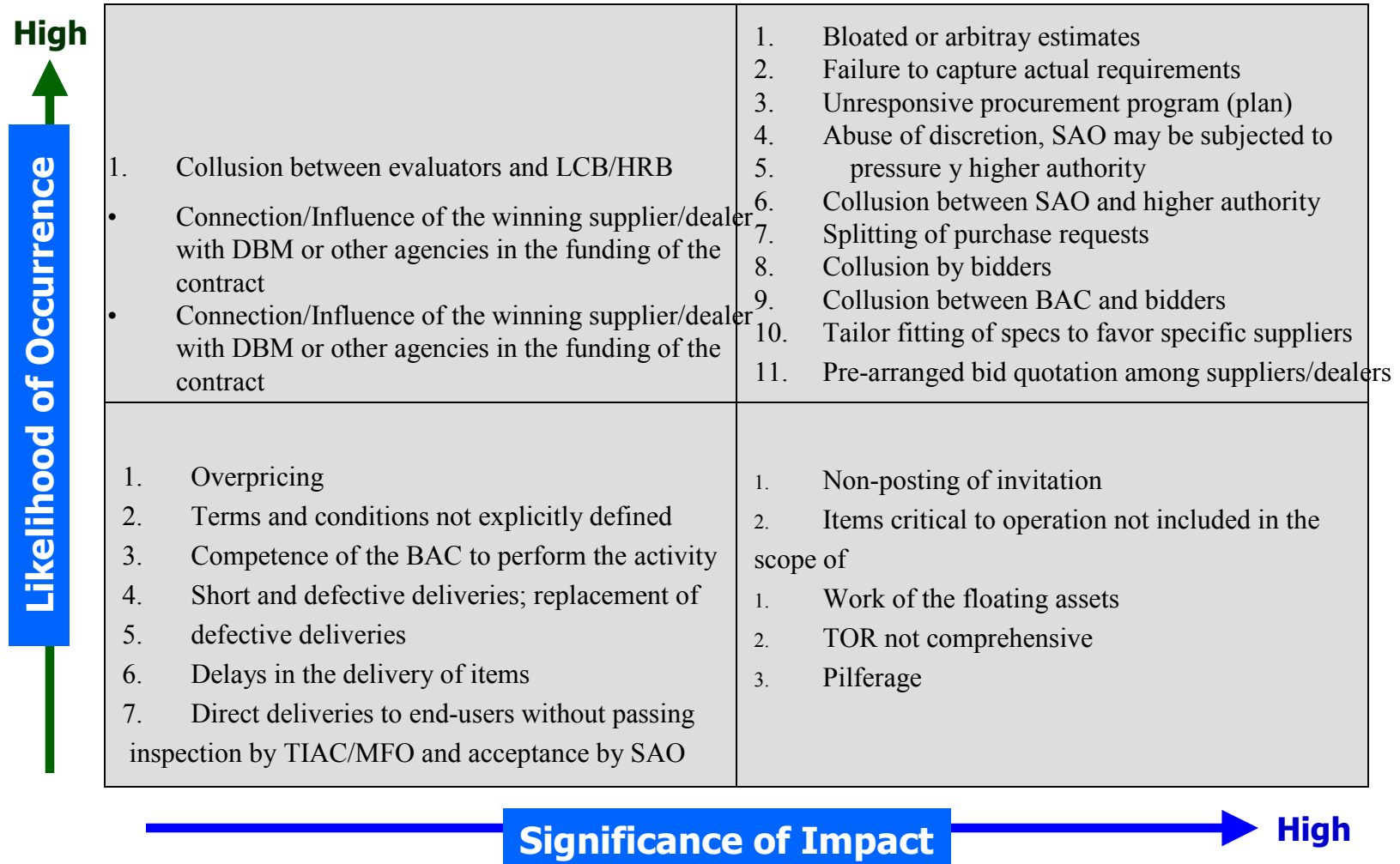
Recommendations:

- Close monitoring in the liquidation processing by the Chief of Accountant

RISK MAP: Procurement Management
Regular Procurement and other Forms of Bidding

High

Likelihood of Occurrence

1. Collusion between evaluators and LCB/HRB

• Connection/Influence of the winning supplier/dealer with DBM or other agencies in the funding of the contract

• Connection/Influence of the winning supplier/dealer with DBM or other agencies in the funding of the contract

1. Bloated or arbitray estimates
2. Failure to capture actual requirements
3. Unresponsive procurement program (plan)
4. Abuse of discretion, SAO may be subjected to pressure y higher authority
5.
6. Collusion between SAO and higher authority
7. Splitting of purchase requests
8. Collusion by bidders
9. Collusion between BAC and bidders
10. Tailor fitting of specs to favor specific suppliers
11. Pre-arranged bid quotation among suppliers/dealers

1. Overpricing
2. Terms and conditions not explicitly defined
3. Competence of the BAC to perform the activity
4. Short and defective deliveries; replacement of
5. defective deliveries
6. Delays in the delivery of items
7. Direct deliveries to end-users without passing inspection by TIAC/MFO and acceptance by SAO

1. Non-posting of invitation
2. Items critical to operation not included in the scope of
1. Work of the floating assets
2. TOR not comprehensive
3. Pilferage

Significance of Impact   **High**

Procurement Management
Step 3: Preparation of Project Procurement Management Plans (PPMPs)

Background:

- The PPMP contains all the requirements for a particular project within its proposed or approved budget. This includes the type of contract to be employed; the extent/size of the contract scope/packages; the procurement method, the time schedule for each activity; and estimated budget. PPMPs are prepared by the end-users

Safeguards/Controls:

- APB defines what activities are programmed and budgeted
- Conduct of market analysis at the end-user level based on historical data of process and consumption levels; review of the TWG at PN level
- Conduct of requirement analysis by the end user thru BAC

Possible Risks:

- Bloated or arbitrary estimates
- Failure to capture the actual requirements

Recommendations:

- N4 to evaluate the submitted requirement of the end-user to come up with a realistic procurement program
- Requirement determination and analysis should be conducted regulalry to come up with realistic demand requirements

Procurement Management
Step 4: Preparation of the Annual Procurement Plan (APP)

Background:

- The APP contains all logistics requirements of units or offices within their proposed or approved budget. These logistics requirement include but are not limited to supplies and materials, services, equipment and construction projects.

Safeguards/Controls:

- RA 9184, AFP Procurement System (AFP Letter Directive No. PC 06-12, July 2006), DND Dept Order No. 12 (Creation of the BACs and the PS in the AFP)

Possible Risks:

- Unresponsive Procurement program (plan) (that result to series of amendments and request for supplemental APP)

Recommendations:

- To prepare a more responsive APP, there is a need to clarify/check the formulation of Defense Planning Guidance (DPG) and the Annual Procurement Plan (APP) as to its top-down or bottom-up formulation of processes for guidance of all concerned

Procurement Management
Step 6: Certification of the Non-Availability of Stocks

Background:

- SAO certifies that stocks are either available or not available before end-user prepares purchase request

Safeguards/Controls:

- Auditing and accounting rules; periodic audit
- Maintenance of updated stock cards by the SAO (but not regularly done)
- Submission of report of Supplies and Materials Issues (RSMI) issued to accounting
- Supply availability inquiry by accounting

Possible Risks:

- Abuse of discretion, SAO may be subjected to pressure by higher authority
- Collusion between SAO and higher authority

Recommendations:

- Regular maintenance of updated stock cards to determine actual stock level inventory
- Data base of updated stock inventory for the information of all who may need to check available stocks

Procurement Management
Step 7: Preparation of Purchase Requests

Background:

■ To ensure consideration of the purchase request

Safeguards/Controls:

■ Check if requests are within the approved APP

■ RA 9184, AFP directives, COA policies

Possible Risks:

■ Overpricing

■ Splitting of purchase requests

Recommendations:

■ Regular monitoring of existing inventories to determine stock level

Procurement Management
Step 11: Preparation of Purchase Orders (Shopping)

Background:

- Contracting Office prepares purchase order based on end-user's request. Ceiling of P250K per purchase order.

Safeguards/Controls:

- Processing and pre-audit of documents to determine legality, propriety and completeness of docs by MFO and Accounting

Possible Risks:

- Splitting of purchase orders

Recommendations

- Strengthen pre-audit and audit operation at the unit level

Procurement Management

Step 12: Conduct of Bidding/Issuance of Resolution

Background:

- To bid out goods, infra projects and services
- To allow the use of alternative modes of procurement

Safeguards/Controls:

- Bidding directive prepared by the BAC Secretariat, BAC resolution approved by CSAFP; Supplier's accreditation; COA post-audit
- COA and OTIA/MFO representatives are witness/observers during bidding

Possible Risks:

- Collusion by bidders (possibility that bidding companies are owned by the same individuals)
- Collusion between BAC and bidders

Recommendations:

- Need for an objective accreditation process (suppliers/dealers)
- Conduct of objective COA post audit

Procurement Management
Step 14: Preparation/Finalization of TOR, specs and other requests for bidding

Background:

- Concerned TWG finalizes the tech plans, specs, bid docs and ITAEB.
- Technical specifications and all other related documents are formalized.

Safeguards/Controls:

- TIAC Report, Inspection Report by pre-audit/MFO COA post audit

Possible Risks:

- Tailor-fitting of specs to favor specific suppliers

Recommendations:

- Rigorous test and evaluation of procured item
- Objective assessment if TIAC in rendering report pertaining to technical specifications

Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 15: Posting of Invitation to Apply for Eligibility and to Bid (ITAEB/ITB)

Background:

■ Concerned BAC issues ITAEB/ITB to inform prospective bidders on the proposed procurement

Safeguards/Controls:

■ RA 9184 defines procedures for posting

Possible Risks:

■ Non-posting of invitation

■ Pre-arranged bid quotation among suppliers/dealers

Recommendations:

■ Objective accreditation of suppliers/dealers

Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 16: Conduct of Pre-Bid Conference

Background:

- Concerned BAC clarifies or explain the requirements, terms and conditions and specs provided in the bid docs

Safeguards/Controls:

- RA 9184, Legal opinion of Naval Judge Advocate

Possible Risks:

- Terms and conditions not explicitly defined

Recommendations:

- Terms and conditions re procurement should be agreeable to both parties and favorable to the PN and reviewed accordingly by the Logistics Officer in consultation with the Legal Officer prior to the approval of the Head

- NJA needs to develop the technical competence to evaluate the draft contracts referred to his office for legal opinion. This may require both training and transaction reengineering of the NJA Office. Immediate step is the conduct of a competency needs assessment of NJA.

Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 18: Evaluation of Bids (LCB/HRB)

Background:

- Evaluation of the eligibility, technical and financial docs of bidders

Safeguards/Controls:

- RA 9184

Possible Risks:

- Incompetence of the BAC to perform the activity (most are just designated without proper training)

Recommendations:

- Fill-up of concerned offices of competent and efficient personnel.
- Full support (funds, personnel and logistical requirements) to the Contracting Office

Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 19: Post Qualification

Background:

- Concerned BAC verifies, validates and ascertain all statements made and docs submitted by the bidder with the LCB/HRB

Safeguards/Controls:

- Documentation of proceedings and declaration of evaluation thru BAC resolution

Possible Risks:

- Collusion between evaluators and LCB/HRB

Recommendations:

- Establish and monitor credibility and capitalization standing of the winning supplier/dealer

Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)

Step 20: Declaration of Winning Bidders

Background:

- Concerned BAC declares the Lowest Calculated Responsive Bid/Highest Rated Responsive Bid

Safeguards/Controls:

- BAC resolution

Identified Risks:

- Collusion between evaluators and LCB/HRB

Recommendations:

- Establish and monitor credibility and capitalization standing of the winning supplier/dealer

Procurement Management: Findings for AFP Procurement Service / Contracting Office (directly under AFP, GHQ)
Step 22: Contract Preparation/Purchase Order/Work Order (Bidding)

Background:

■ TWG/Procurement Center/Contracting Office

Safeguards/Controls:

■ Review of the contract and related documents by end user

■ Certification of unit Commanders on the PO/WO/JO

Possible Risks:

■ Terms and conditions not comprehensive in all aspects (e.g. funding, sanctions in case of delay and defective deliverables). Items/services that are critical/vital to the repairable floating assets not included in the scope of work of the bidding contract.

■ Due to the long and tedious bidding process, timeliness of project/activity implementation per contract is affected. This critically affects the operational tempo and facility readiness of PN units.

Recommendations:

■ Need for model contracts for different types of transactions that will ensure that all the legal and technical aspects of the contractual relationships substantially protect the government's interest

■ Formulation of the contract preparation checklist and templates and make it available to concerned naval personnel. Provide training if necessary.

Procurement Management
Step 24: Funding of Contract/PO/WO

Background:

- Ensure that funds are available

Safeguards/Controls:

- Annual Audit; Annual General Inspection

Possible Risks:

- Connection/influence of the winning supplier/dealer with DBM or other agencies in the funding of the contract

Recommendations:

- Monthly monitoring and evaluation of financial transactions

Procurement Management
Step 27: Delivery, Inspection and Acceptance of Items

Background:

■ Ensure timely delivery of items within prescribed specifications

Safeguards/Controls:

■ TIAC, SAO, COA

■ Imposition of penalty charges for the delay in the delivery of items

Identified Risks:

■ Short and defective deliveries; replacement of defective deliveries

■ Delays in the delivery of items

■ Direct deliveries to end-users without passing inspection by TIAC/MFO and acceptance by SAO

Recommendations:

■ Ensure that TIAC members have the proper training on technical classification of items

Procurement Management
Warehousing/Storage of Items

Background:

■ Naval Logistics Center serves as the Inventory Control Point.

Safeguards/Controls:

■ Monitoring of the supplies per inventory per stock card and ocular inspection of the facility

Possible Risks:

■ Pilferage

Recommendations:

■ Daily monitoring of stocks inventory to determine demand level

General Recommendation

- Financial management must be included as a mandatory generic managerial tool for all commissioned officers of the AFP integrated in all levels of training beginning with the PMA. Part of the responsibility of the officers is to ensure that all financial transactions in their units are transparent and above board even if they are not serving directly as finance/logistics officers.

- All financial documents of the units should routinely be made available to all unit officers.

General Recommendation

■The role of AFP PS as a central unit in the procurement system was a response to specific corruption cases and may need to be reexamined over the long term to ensure its overall effectiveness. Specific issues to be examined are:

➢Should the office be organized at the GHQ level therefore maybe too highly centralized for effective response to field unit requirements

➢Staffing and logistical requirements so far have not been met and may prove to be an unnecessary long-term problem`

General Recommendation

▪The Defense Planning Guidance (DPG) and the Annual Procurement Plan (APP) as central crucial outputs need clarification as to their top-down or bottom-up formulation processes for the guidance of all concerned. This is a long-term doctrinal concern, which has implications on the immediate procurement process.

General Recommendation

▪As a long-term mechanism for monitoring and systems improvement, the quest for an ISO 9001:2000 QMS Certification for the PN Procurement system should be seriously considered. Alternatively, the PN Procurement System can be enrolled in the PQA process to obtain free organizational and consultancy services.

General Recommendation

▪Systematically document the procurement difficulties under RA9184 for policy response at three levels: 1) coming up with customized IRR for AFP; 2) another parallel law that takes into consideration the special logistical requirements and circumstances of the AFP, and 3) training of personnel only.

Thank you!