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Role of the Commission on Audit in a Landscape of Endemic Corruption: The Case of Six Government Agencies in the Philippines

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ABSTRACT

Graft and Corruption hampered several aspects of development in many countries of the world. In the Philippines, lavish lifestyles, bribery, and fraudulent practices are prevalent in its government, as acknowledged by its own president, and even regarded as a daunting mission. Institutional arrangements are then in place to safeguard the public resources from misconduct among government officials and their instrumentalities. The Commission on Audit's main role as a state auditing body is to examine, audit, and settle all accounts and expenditures of public funds and properties. With the increasing social injustices and other social issues, amelioration programs, projects, and activities demand higher financial resources year on year. In the 2019 national cash budget of the Philippines, the Departments of Education, Health, National Defense, Interior and Local Government, Social Welfare and Development, and Public Works and Highways constituted the majority of the fiscal tool. However, instead of rendered benefits, large counts and costs of findings and observations were noted by the state auditing firm, suggesting an unhealthy fiscal administration. These findings and observations are the basis for the public's trust acuity and perception of good governance, but without proper checks and balances, these reports can do more damage than good to the state. The Commission on Audit shall then employ a Proactive Check and Balance auditing system to mandate the checking of the proper implementation of the national budget and the technical and operational appraisal of a project/program/activity before, during, and after its implementation, and consider integrating participatory development in their system.

Keywords: *Commission on Audit, National Cash Budget, Graft and Corruption, Fiscal Administration, Good Governance, Public Trust Acuity, Participatory Development*

INTRODUCTION

In any country where it exists, systemic corruption is widely regarded as the primary barrier to economic and political development. This is because corruption undermines economic incentives to invest, weakens public institutions, disburses wealth and power to the unworthy, and breeds distrust within the society. Citizens in a well-functioning democracy then hold politicians accountable for their actions. This is premised on the fact that people have access to data that allows them to assess the performance of politicians. Ideally, improved information pushes incumbent governments to behave in the best interest of the public by allowing the citizens to watch policymakers and hold corrupt politicians responsible for any misbehavior or misconduct. Politicians throughout the world steal billions of dollars each year, causing resource misallocation and jeopardizing democracy's core foundations (Avis, Ferraz, & Finan, 2016). While the repercussions of corruption have long been acknowledged, there is no single solid solution developed to totally eliminate it to date. However, the literature suggests that political institutions as well as institutional arrangements are well established to restrain entities seeking to gain added wealth without any contribution to the public society and to punish politicians who do so. Even though there are measures that seek to alleviate the consequences of corruption or eliminate it altogether, this strategy can only be successful if the government has the capacity and capability to uncover misconduct in the first place. As a result, numerous countries, including the Philippines, employ auditing systems ideally targeted at calling out misappropriation of public funds, which not only removes the likelihood of the misconduct happening again, but also provides the citizens of a nation, especially voters, the necessary information for them to hold politicians accountable and therefore have a reference for the next election to exercise their rights rationally.

International Anti-Corruption Day has been commemorated yearly on December 9 since the United Nations Convention Against Corruption was established in October 2003. In light of the growing pandemic, UN Secretary-General António Guterres sent a strong message saying that corruption is illegal, unethical, and the ultimate betrayal of public trust (McCaw, 2021). CoViD-19 also makes the repercussions of government misconducts more glaring on top of the fact that the virus has opened up new opportunities for perverted politicians to take advantage of the lax monitoring and lack of transparency which blatantly divert funds away from those who are mostly in need and deliberately defeating the ideal concept of the public office being a public trust. Evidently, corruption and emergencies, like the pandemic, feed off one another, resulting in a vicious cycle of mismanagement of funds and thus worsening the crisis. Large amount of money is deemed necessary to cope with emergencies and for the speedy disbursement of help via programs, projects, activities and/or economic stimulus packages, but this as well poses the potential of creating a perfect storm for corruption as opportunities to influence policies unjustifiably lure corrupt politicians into rent-seeking activities instead while measures in place to prevent it are also being weakened. (Vrushi & Kukutschka, 2021). As a result, fair, efficient, and equitable responses to the global crisis are jeopardized. The global response to the COVID-19 pandemic demonstrates how there is a need for maintaining integrity in crisis management.

As the coronavirus spread, central banks throughout the world pumped $US9 trillion into economies to keep the global economy afloat. Much of the stimulus has gone into financial markets as well as into the net worth of the ultra-rich billionaires. The total wealth of billionaires worldwide increased by $US5 trillion to $US13 trillion in a year, the most histrionic surge ever recorded on Forbes magazine's annual billionaire list as a result of nearly 700 people added to this elite statistic in 2021. Generally, these magnates come from self-made fortunes from industries like technology, manufacturing, real estate and oil, with the latter two trades coined to produce ‘bad billionaires” such that these industries are less productive, more prone to corruption and have less goodwill which then raises more backlash among the anti-elitists (Sharma, 2021). This clearly shows that even though corruption is a defining characteristic of developing and underdeveloped countries, established countries like Qatar and even Sweden go through the same. Nevertheless, the impacts of corruption in relatively poorer nations like the Philippines are far worse and are much more tolerated by their political parties and institutional systems, swelling social injustices and inequalities in the country. True enough, President Duterte himself acknowledged in his last SONA in 2021 that the endemic case of corruption in the Philippines can only be defeated if the government is overthrown.

In 2019, the Department of Budget and Management endorsed Php 3.662 trillion worth of national cash budget, which is 10.1 percent higher than the cash equivalent of the fiscal year 2018 national budget. It has also been mentioned that this cash budget will only support initiatives that are ready for deployment, which clearly demonstrates how the Duterte administration has stayed true to its word that every Filipino will be ensured a bright future. Out of the aforementioned budget, the top six recipients of the General Appropriations Act are the Education Sector with Php 665.1 Billion, the Department of Public Works and Highways with Php 465.2 billion, Department of Interior and Local Government with Php 230.4 billion, Department of National Defense with Php 186.5 billion, Department of Social Welfare and Development with 177.9 billion and Department of health including Philippine Health Insurance Corporation with Php 168.5 billion (Depratment of Budget and Management, 2019).

Although acknowledging that combating government corruption is a daunting mission, President Rodrigo Duterte pledged to keep battling it until the end of his term (Parrocha, 2021). In 2017, the Philippine President established the Presidential Anti-Corruption Commission (PACC) in order to investigate lavish lifestyles, bribery, and corruption practices and propose penalties for erring officials ranging from suspension to expulsion from office. Apart from conducting investigations, the PACC will be able to subpoena people and documents, as well as enlist the assistance of security forces to execute an order or subpoena (Mendez, 2017). Despite the establishment of anti-corruption bodies and other institutional arrangements, public officials and officers' misconduct and deceitful activities continue to creep into the very core of the Philippine government across all its branches, including the aforementioned top recipients of the GAA 2019. From the alleged "promotion for sale" scheme of the Department of Education (Silverio, 2021), the anomalous issuance of permits and certificates at the Department of Public Works and Highways (Lopez, 2021), the 7,601 complaints over Social Amelioration Program implementation and distribution in the LGU's under the supervision of the Department of the Interior and Local Government and the Department of Social Welfare and Development (Mendez, PACC: 7,601 complaints over SAP corruption probed, 2020), the "ghost purchasing," splitting of contracts and invention of fictitious suppliers in the Department of National Defense (Presidential Anti-Corruption Commission, 2018) and lastly the controversial Php 15B which was allegedly stolen by 'mafia' executives of the Philippine Health Insurance Corporation by unevenly allocating CoViD-19 funds, lavish expenses on equipment and hoped to run away with the misconduct by imposing a premium hike among overseas foreign workers (Robles, 2020). These, among many other graft and corruption issues, have been openly exploiting the Philippines' public resources in the current and even in the previous administrations. It cannot be denied, therefore, that in Transparency International's Corruption Perception Index (CPI) in the year 2019, the political integrity of the Philippines became worse, ranking 113th out of 180 countries, dropping 14 notches from the previous year (CNN Philippines, 2020).

Despite the disreputable ranking on corruption, the number of new lawsuits brought before the SB against erring officials hit a 12-year low during Ombudsman Samuel Martires' first full year in office. In reality, the Sandinganbayan's workload is at its lowest point in four years as of the end of 2019. While the anti-graft court's increased productivity helped to slim the pile, prosecutors continued to be less keen to file new lawsuits. In one of his first interviews with reporters on Aug. 6, 2018, he stressed the importance of shielding government officials from public scrutiny, also going so far as to suggest that the ombudsman should avoid making it seem that the officials should be convicted. Furthermore, one of his first policy shifts was to prohibit the publication of the findings of the government's corruption probes and the issuing of press releases on officials facing charges before the Sandiganbayan. The next year, Martires stopped publishing copies of public officials' statements of assets, liabilities, and net worth, including that of Duterte (Nonato, 2020). During a congressional hearing on the Office of the Ombudsman's spending, lawmaker Carlos Zarate pointed out that the low number of filed lawsuits may mean that prosecutors were "less willing" to prosecute charges. Additionally, Martires also issued a memorandum to the prosecutors instructing them to revisit which lawsuits they should dismiss, which is in line with his policy of treating cases less criminally and more administratively, despite corruption cases blatantly surfacing even during the time of the pandemic (Buan, 2021). The question is, if there is conflicting or manipulated literature and statistics that define the governance and fiscal health of the Philippines, where are all the public funds going?

With the "Build, Build, Build" program of the Philippines' current administration, the government is clearly one of the major players in the construction industry, with projects such as roads, bridges, hospitals, schools, and residential and non-residential projects to fuel economic growth. These projects ideally lead to a relatively smaller Gini coefficient, as household incomes will now be evenly distributed with the playing fields aided by projects of the government and uphold the goals of sustainability in a world of drastic changes and surreal innovations. However, it is not new that a lot of infrastructures of the government are deemed to be not functioning as to its 100% potential due to: (1) sub-standard materials/construction; (2) unfinished/deferred/delayed project; (3) abandoned; and (4) they are not really needed in the first place. The aforementioned setups are either caused by or causing challenges, which for most developing countries can be traced to the government's mechanism of going for the lowest bidder. This mechanism ensures that any source of savings that the government can avail itself of, it will venture into. Savings in the budget would mean less deficit, more surplus, and thus, more funds to utilize or implement other social amelioration programs. With this in mind, the stakeholders can be said to be bounded by three important factors in considering the success of a project- that is, cost, quality, and time. However, as can be noticed in the industry, it is time and cost that are considered, and, in most cases, only the cost.

Most common challenges are seen in developing countries, which are labor-intensive compared to developed countries, which are capital-intensive, hence having all the machinery, equipment, skills development, and mechanisms that take them away from the pressing challenges. They are self-sufficient and can sustain infrastructure developments that developing countries cannot afford with marginal growth in their economy. As in the manufacturing and mass production process, the developing countries are left behind in terms of technology and thus, the sense of efficiency in solving social problems per se. However, this does not stop developing countries like the Philippines in making efforts to create positive social change and be steadfast in the battle against graft and corruption.

Along the process, barriers to entry in the business have been very tolerant, and several manufacturers of construction materials have become more competitive in terms of price, quality, and service, but mostly leveraging on price. Still, materials of quality that are sub-par are widespread in the market, and with a consumer who lacks the proper education on the quality, and with a consumer who is cost-focused, quality is mostly, if not always, left at bay. In the Philippines alone, there are projects worth millions that will only last by a fraction of their supposed lifespan---an extravagant use of national funds for projects that do not clearly center on problems of the society. Not only that, but several misallocations, ghost projects/programs, and unauthorized spending have also been found out by the Commission on Audit (COA), suggesting that there are leaks in the government budgeting system—a fiscal administration that allows funds to flow into irrelevant projects of some corrupt government officials. For a faulty system to be a tradition or standard operating procedure, it demands a root cause analysis.

As mentioned above, the construction of infrastructure projects goes through several phases, but the most problematic phase that poses threats in the construction industry here in the Philippines occurs during the monitoring and evaluation phases---pre, post, and during the implementation of the project. Although challenges and issues arise at any phase of the project, the lack of monitoring and proper evaluation hinders the actual merits of development from the perspective of implementation of infrastructure expenditures, which is deemed to be the most important phase in the project development cycle.

The Commission on Audit is an independent constitutional commission established by the Constitution of the Philippines that has the primary function of examining, auditing, and settling all accounts and expenditures of public funds and properties. Subsequently, it has principal duties as stated in Article IX-D of the 1987 Philippine Constitution:

1. Examine, audit, and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property owned or held in trust by, or pertaining to, the government.
2. Promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures, or uses of government funds and properties.
3. Submit annual reports to the President and the Congress on the financial condition and operation of the government.
4. Recommend measures to improve the efficiency and effectiveness of government operations.
5. Keep the general accounts of the government and preserve the vouchers and supporting papers pertaining thereto.
6. Decide any case brought before it within 60 days.
7. Performs such other duties and functions as may be provided by law.

Apparently, given these duties, it seems that the commission presents itself when aspects of development have already been spent unreasonably. Furthermore, the fact that the commission audits its own operations poses questions on the integrity and objectivity of released reports for the public's perusal. In that sense, the question of whether the Commission on Audit is a watchdog, a bloodhound, or a crocodile disguised as a German Shepherd ---best in search and detection but not necessarily in rescue, remains.

FRAMEWORK

This research work is mainly anchored on Brillantes and Parente's Governance Reform Framework which serves as a guide for reforming public service for good governance through capacity-building initiatives by addressing all four areas of change namely the reforming of institutions, structures and processes, citizen engagement, leadership and the improvement of mindsets and behaviors of those in the public sector, especially leaders and those in executive roles, with the latter given most importance (Brillantes & Fernandez-Carag, 2010). The Government is a large-scale body that deals with a wide range of functions, such as evaluating the success of public organizations and determining if bureaucrats are doing their duties satisfactorily. Since the government is made up of a variety of constitutional and other public structures and institutions, elected entities must collaborate with public service departments to elevate the state's institutional values in order to be credible. The corollary of the regime's conduct, the public's fundamental feelings regarding its policies, and a match between the public's normative aspirations and their fulfillment yield an indicator of the trust in government, which is seen as a necessary prerequisite for its legitimacy (Tanny, 2019). This trust acumen can be improved using the aforementioned framework by addressing "trust deficits" including institutional and political corruption through prioritizing the continuing and ongoing efforts to create more responsive public administration systems, policies, and processes (Brillantes & Fernandez-Carag, 2010).

In line with the aforesaid framework, the Principal-agent theory states that the agents (public officials) main purpose is to serve and protect the best interests of the principals (the public). The desires of the agents, however, always deviate from those of the principal, and although the latter may prescribe the pay-off rules in the principal-agent relationship, there is informational asymmetry to the agent's advantage, which could be used for personal gain. Laterally, the agency problem arises when the agents choose to participate in a corrupt deal in order to advance their own interests at the expense of the principal's (The Doha Declaration, 2019). The principal should then devise rewards and schemes to limit this problem, which is exactly the establishment of the country's Commission on Audit. Related to the principal theory is the collective action theory, which has been serving as an alternative to understanding the persistence of corruption in institutions. Specifically, collective action theory moves beyond conventional principal-agent relationships, emphasizing the relevance of variables like trust and how people understand other people's actions and inactions. Since people rationalize their own actions based on their expectations of what others will do in the same situation, institutional corruption becomes a social problem. When corruption becomes a social norm, everybody sees it as a convenient way to get things done. People are aware of the detrimental effects of widespread corruption, but they want to partake in it because they believe it would benefit them, and it makes no sense to be honest in a corrupt system. In these cases, collective and organized approaches, such as reform coalitions or constructive partnerships with like-minded organizations, are needed to fight corruption. These programs are sometimes referred to as "collective action" initiatives. (Zapata, 2018)Another framework to which this research work adheres is the Game Theory in the form of the Prisoner's Dilemma paradox. This theory is based on economic literature that aims to explain why public officials make unethical decisions. A public official who refuses to partake in unethical practices risks being put at a disadvantage when other people do not hesitate to do so in the same situation. As a result, all benefits in a way, but it is still less than the benefits that they would have had if they had declined to participate in corrupt practices. This is clearly evident in the field of public procurement, where private sector players who are unsure of the conduct of others are involved in corruption. Companies that are otherwise honest are motivated to partake in procurement wrongdoing by a fear of being outdone by rivals that are behaving inappropriately or unethically (The Doha Declaration, 2019). This highlights the importance of establishing a legal framework to manage public funds with efficiency and integrity.

The Government Procurement Reform Act, or Republic Act No. 9184, which states the fostering of good governance principles in all government offices and instrumentalities, including public enterprises and local government units, shall be promoted in every procurement operation utilizing public resources. Also, the Republic Act No. 3019 or the Anti-Graft and Corrupt Practices Act serves as a legal framework for this research, which states that public officials should embody the principle of the public office as a public trust and so shall repress corrupt practices or any other practices that may lead to doing so. Lastly, the Presidential Decree no. 1445 or the Government Auditing Code of the Philippines declares that public resources should be used for the benefit of the people and that the government must run, spend and use these resources in compliance with the rules and regulations as well as protect these against loss or wastage as a result of unlawful or unsafe disposal, in order to ensure government processes are efficient and cost-effective.

MATERIALS & METHODS

This descriptive research analyzed the Commission on Audit Reports of 2019 of the identified six agencies/sectors having the largest share of the national cash budget of 2019 namely the Department of Education (DepEd), Department of Public Works and Highways (DPWH), Department of the Interior and Local Government (DILG), Department of National Defense (DND), Department of Social Welfare and Development (DSWD) and Department of Health (DOH). The 2019 reports were particularly selected as it is the latest data that is not affected by the shocks of the pandemic. This data/report was accessed through the state auditing body's website in November 2021. Part II of the report, or the findings and observations, was particularly reviewed and further analyzed using the following categorization as reference:

a. ***Non-Adherence/Non-Compliance (NA/NC)***. This signifies any violation of, but not limited to, the rules, regulations, policies, and laws. It considers the blatant disobedience to the existing parameters and legalities of an institution, which usually leads to a lack of reconciliation procedures.

b. ***Underutilization of Fund (UUF)***. This includes delayed implementation and failure to allocate funds during the time it is programmed. It includes having balances due to unimplemented projects and programs.

c. ***Improper Use of Funds (IUF)***. The utilization of funds other than the purpose for which it is appropriated. Any use of the fund for which it is not programmed is considered to be improper, which defeats the purpose of providing for the beneficiaries of the supposed program or project. This also includes improper coding of expenses to ledger accounts.

d. ***Insufficient Document (ID)***. The lack of necessary documents and/or requirements for the provision of certain actions, such as a funded and paid project with incomplete documentation, and the like. This also includes activities lacking written procedures, which disrupt the sound operation of an institution since documentation provides proper authorization and enough detail for proper implementation.

e. ***Misreporting/Failure to Submit Report/Document (MFSRD)***. This includes delayed submission of reports, or worse, non-submission. This also includes submission of reports that are faulty, biased, and inaccurate.

f. ***Individual Payment Issue***. Includes unliquidated cash advances, unauthorized payments to individuals, and illegitimate imbursements acquired by employees and nonemployees of an institution.

g. ***Status of Notice of Suspensions, Notice of Disallowances, and Notice of Charges (SNDC)***. This arises from the improper issuance of payment due to the lack of required supporting documents on disbursement vouchers.

h. ***Positive Finding/Observation (PFO)***. This involves fiscal activities that fully complied with the legal institutions and frameworks of public administration in the form of commendation from the Commission on Audit.

This categorization was based on the aggregated common findings and observations of the audit reports in 2018. Amounts involved in Philippine Peso (Php) were also recorded per agency and per finding and observation. Data verification was conducted by referring to the whole body of the audit reports, as well as referring to the literature for checks and balances.

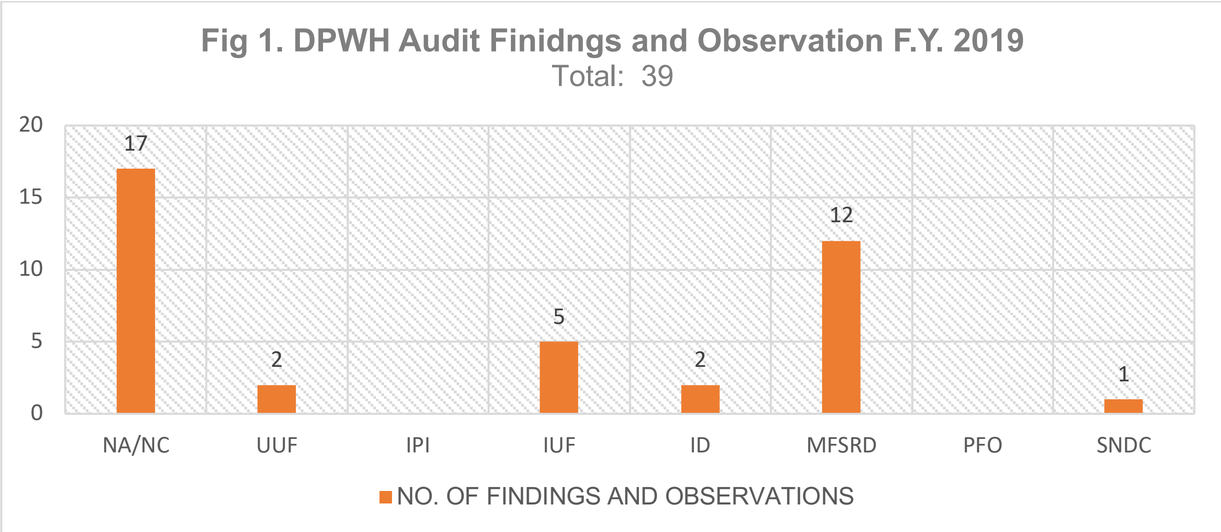
RESULTS AND DISCUSSION

Audit Findings and Observations for the Fiscal Year 2019

Audit reports for the selected agencies in the Philippines for the year 2019, found on the online database of the Commission on Audit, were utilized in this context. All documents are secured and cannot be subjected to any form of editing, and so the referencing is as it is on the Portable Document Format (PDF) and the Document file. The data presented are for academic and development purposes and not in any way a form of mutiny against the government.

Audit Report 2019: Department of Public Works and Highways

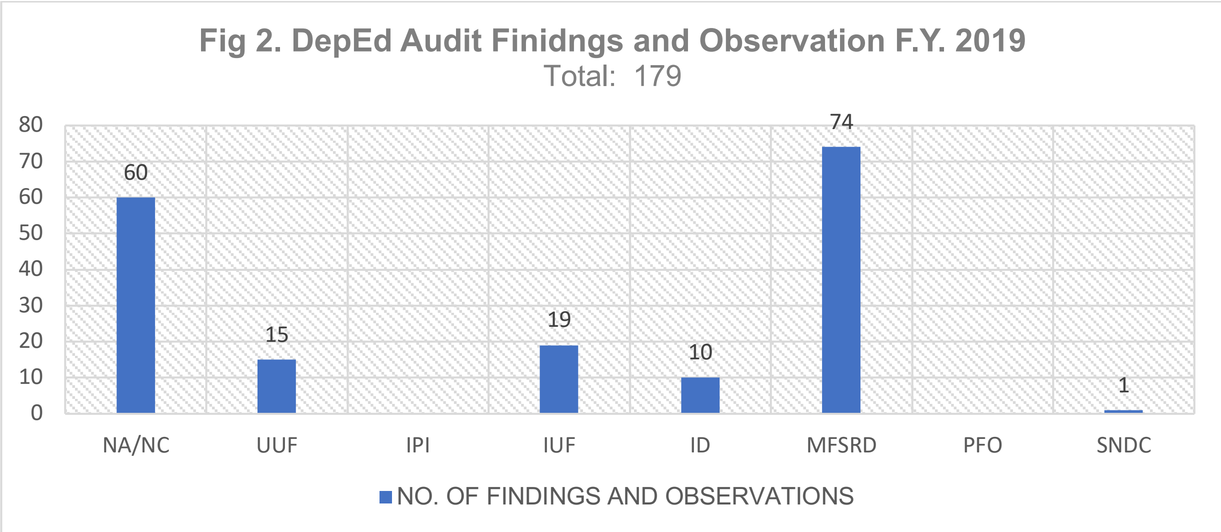
Duterte ordered the Department of Justice (DOJ) to examine claims of corruption "in the entire government" in October 2020. The president urged the Department of Justice (DOJ) to concentrate its efforts on the Department of Public Works and Highways (DPWH), which is coined to be “corrupt-ridden” (Parrocha, 2021). True enough, the audit report revealed notable findings, including the agency’s failure to establish the technical viability of projects during feasibility and preliminary engineering study, resulting in the delayed completion and non-implementation of 2,411 projects worth Php 101.690 B. The agency also committed fault in the non-submission of 4,696 infrastructure/non-infrastructure contracts and purchase orders by 70 DPWH offices worth Php 94.802B, as well as in the untimely submission of reports worth Php 69.768B, making transactions not validated in the prescribed period and thus questionable. Misstatements due to accounting errors, omissions, and improper accounting treatment of transactions worth Php 32.828B were also noted on the audit report, along with the unreconciled accounts amounting to Php 27.29 B.



The head agency for the Build, Build, Build program also had questionable transactions in the disbursement of the Gender and Development Fund, Senior Citizen and Differently Abled Programs, Projects and Activities, and disbursed funds despite incomplete documentations, which is in violation of the Republic Act No. 9184 or the Government Procurement Act. Of the 39 total findings, COA detected non-adherence/non-compliance the most at 17 counts, followed by Misreporting/Failure to Submit Reports/Documents at 12 counts. There was no individual payment issue, as well as a positive finding or observation noted by COA in DPWH's Audit report for F.Y. 2019.

Audit Report 2019: Department of Education

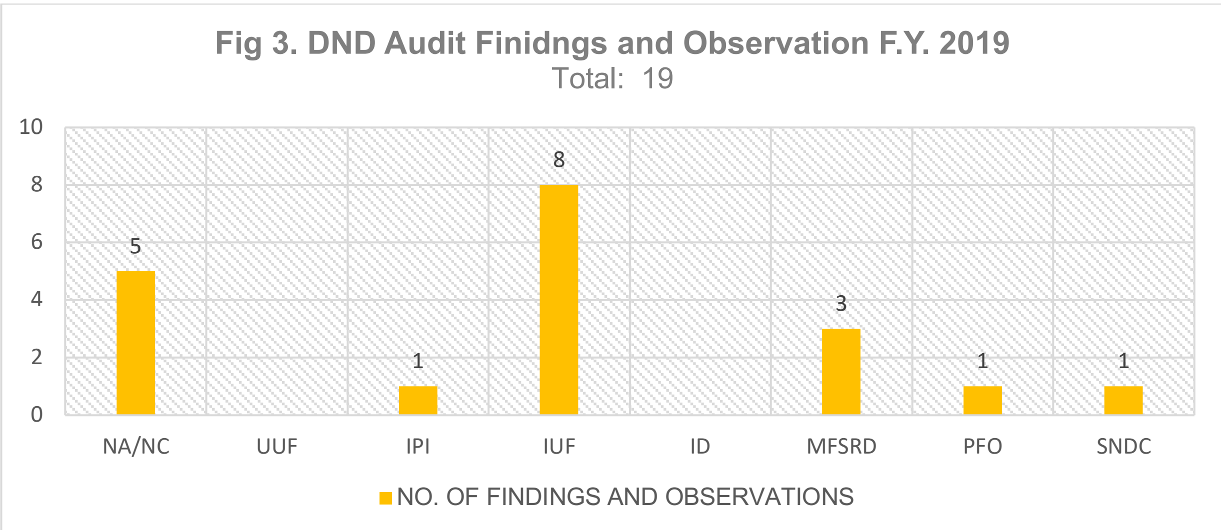
Several major newspapers published reports from the Commission on Audit alleging that DepEd accrued P13.9 billion in expenditures with "no legal justification or proper paperwork." According to the news article, the P13.9 billion in "undocumented, if not baseless spending" for 2018 ranged from P3,000 to as much as P13 billion, according to COA's annual audit report on DepEd (Mendoza, 2019). In the year 2019, nothing much has changed in the Audit Reports of the agency. Unresolved variances and huge discrepancies between accounting records and supporting schedules/documents, and unsubstantiated balances in various accounts amounting to Php 70.9B still surfaced. There was also an incomplete inventory taking, non-submission, and insufficient detailing in the report of Plant, Property and Equipment (PPE) amounting to Php 41B, with uninsured properties amounting to Php 37.3 B. Apart from the unobligated allotments amounting to Php 26.769B due to procedural lapses in its budget utilization, misstated financial statements on account errors, omissions, and improper accounting treatment of transactions amounting to Php 25.552B were also noted, which shows that the agency failed to properly utilize public funds and raises several accounts as questionable. Evidently, COA noted several findings on the agency's operations, with Misreporting/Failure to submit reports/Documents being the most at 74 counts, followed by non-adherence/non-compliance at 60 counts. No individual payment issues were noted, as well as positive commendation from the state auditing body.



In 2019, COA hit the agency for performing below average 2019. Teachers and students had been dealing with a shortage of textbooks, instructional materials, and other necessary tools, especially for science and mathematics, even before the COVID-19 pandemic. Worse, state auditors said that the Department of Education (DepEd) was unable to keep up with the procedures involved in filling the shortfall, despite the fact that billions of pesos of taxpayer funds had been allocated for the purpose (Aurelio, 2020).

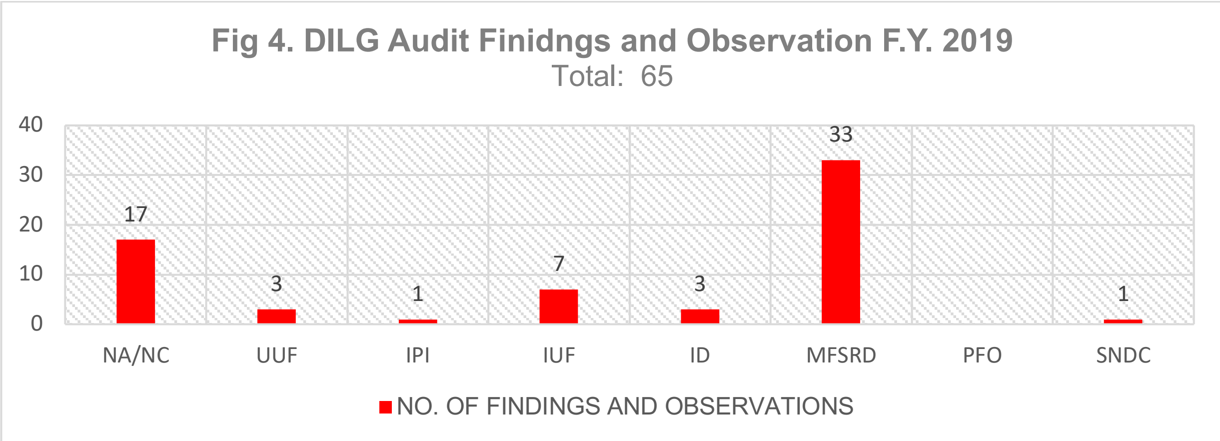
Audit Report 2019: Department of National Defense

The Commission on Audit (COA) demanded a clarification from the Department of National Defense (DND) about the P6.4-million cost of a comfort room renovation in 2019. State auditors said the costs of repairing the DND South Wing comfort rooms were "impractical, uneconomical, and wasteful," with the comfort room costing up to P1.6M each. In DND's defense, they are just improving their facilities to cope with modernization and ISO standards, apart from the goal of having facilities encourage productivity and inspire creativity among its employees. COA slams this remark by saying that it is beyond comprehension that a government employee would choose to relax in the comfort room for more than necessary, especially for employees involved in defense and security (Rappler.com, 2020).



Apart from this contemptable finding, audit reports of 2019 also show that the agency failed to liquidate funds amounting to Php 1.25B, misstated financial statements amounting to Php 179.9M, incurred discrepancies on recorded deliveries and issuances amounting to Php 23.4M and has unremitted inter-agency payables worth Php 6.3M, among many other findings worth millions. This accounts for eight counts of improper utilization of funds and five counts of non-adherence/non-compliance as the most frequent finding, with no notable finding on under-utilization of funds and incomplete documentation, but with one commendation from the state auditing body. The agency was then tagged in 2019 for several unnecessary expenditures, which, despite the explanation from DND, COA sees no rational basis for such spending.

Audit Report 2019: Department of the Interior and Local Government



The Commission on Audit (COA) blamed the Bureau of Fire Protection's (BFP) delays in bidding on numerous procurement contracts aimed at modernizing its equipment and facilities on the Department of Interior and Local Government's (DILG) alleged unwarranted meddling. COA released a 2014 audit report on the BFP website, claiming that the DILG ignored Section 11 of Republic Act 9184, or the Government Procurement Reform Act, by taking over the procurement process for the BFP's modernization program (Marcelo, 2015). Speaking of delays, the agency seems to be far too acquainted with it as three years later, a COA report showed that while Presidential Communications Operations Office (PCOO) received a Php 10M budget for federalism information drive from DILG, it failed to submit the recipient organizations progress report to COA and later on justified that it was submitted but only delayed (Panti, 2019). The year after, the 2019 Audit Reports still show gray areas in the agency's financials and accounts. Misstatements due to accounting errors, omissions, and improper accounting treatment of transactions worth Php 4.5B were noted, along with an unpaid balance due to several LGUs worth Php 3.387 B. Several improper uses of funds were also recorded, such as the Recovery Assistance on Yolanda (RAY) Fund worth Php 2.012B, a forwarded fund amounting to Php 1.8B despite the ineligibility of recipients, and 16 unfinished projects worth Php 579.6M for the Bohol Earthquake Assistance. These are apart from the unliquidated transfers to public enterprises and other government offices amounting to Php 1.4B and several other disbursements despite incomplete documentation, which violates RA 9184.

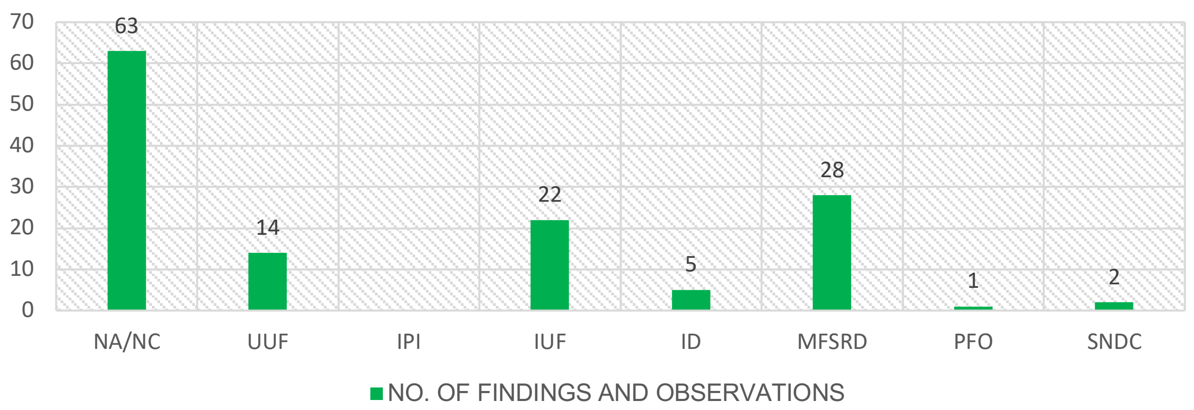
These findings are manifested in the report in 33 counts of Misreporting/Failure to Submit Reports/Documents and 17 counts of non-adherence/non-compliance as the most frequent, without any positive findings or observations out of 65 overall findings in the 2019 audit report. In an article posted by Manila Bulletin written by a former senator, DILG has all the machineries to be the chief implementer of CoViD-19 policies because it has a complete organization all the way down to the grassroots level and its primary role is to administer and supervise local government units charged with providing a variety of devolved services, especially those related to health and social welfare

(Lina, 2020). That being said, with the several audit findings and observations and the large amount of taxpayers' money utilized in ways that deviate to the Commission on Audit, this becomes a question of integrity and public trust rather than a matter of structural capacity and capability. Furthermore, with graft and corruption issues penetrating up to the grassroots level, this implies that DILG is lacking of the proper mechanism to implement established procurement and other public resource utilization policies, all the more, penalizing mechanisms or training and development systems to improve the agency and the government as a whole.

Audit Report 2019: Department of Health

Prior to the Php 15B issue on PhilHealth, questionable transactions and accounts have already been floated by the Commission on Audit pertaining to the Department of Health's operation in 2019. Doubt was cast on Php 89.5B and Php 57.7B worth of transactions due to deficiencies in reporting and system incompetence, respectively. The lack of awareness of new policies and guidelines, merely following predecessors, and a lack of documentation to support claims were noted to be the culprits of this. The Marawi Fund, Disaster Risk Reduction Management Fund, Yolanda Fund, ASEAN Fund, and funds for several Projects, Programs, and Activities of the agency were also improperly utilized and unutilized despite the urgency of these PAPs to provide assistance to the public. Of all the findings, however, the recurring finding on expired drugs and medicines, as well as unutilized equipment and other supplies, was noted to be prone to wastage, loss, theft, obsolescence, or rapid deterioration due to an unorderly storage system and inadequate control system or lack thereof.

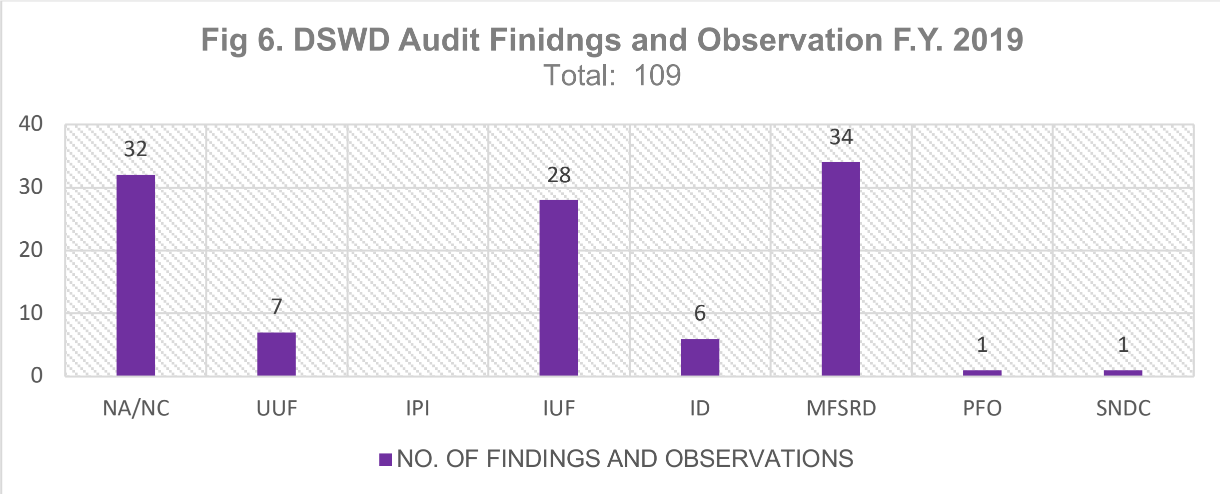
Fig 5. DOH Audit Finidngs and Observation F.Y. 2019
Total: 135



In 2019, a total of Php 25.5B were susceptible to this finding. According to the agency, they were already able to distribute all the near-expiring medicines worth Php 1B, and the COA's report was taken out of context. In this regard, the Department of Health has instituted changes such as the creation of a dedicated Procurement and Supply Chain Management Team and the reorganization of the Disease Prevention and Control Bureau, which is responsible for deciding which goods and supplies of public health importance should be distributed to local government units (Montemayor, 2020). However, as the slow pace of the COVID-19 vaccine rollout raised several complaints with concerns that many of the valuable shots will expire and go to waste before they are given out, like the aforementioned medicine and drugs expiry issues that surrounded the agency for years (Yap & Cinco, 2021).

With 63 counts of non-adherence/non-compliance, 28 counts of Misreporting/Failure to Submit Reports/Documents, and 22 counts of improper utilization of funds comprising the bulk of findings on the agency, with 135 in total, DOH still struggles with keeping its operations as undisputable as possible. With the current health crisis and with large funds channeled to the agency prior to reaching the hospitals, all the more the patients, a systemic overhaul is deemed necessary for policies, programs, and activities to benefit recipients and fulfill their intended purpose.

Audit Report 2019: Department of Social Welfare and Development



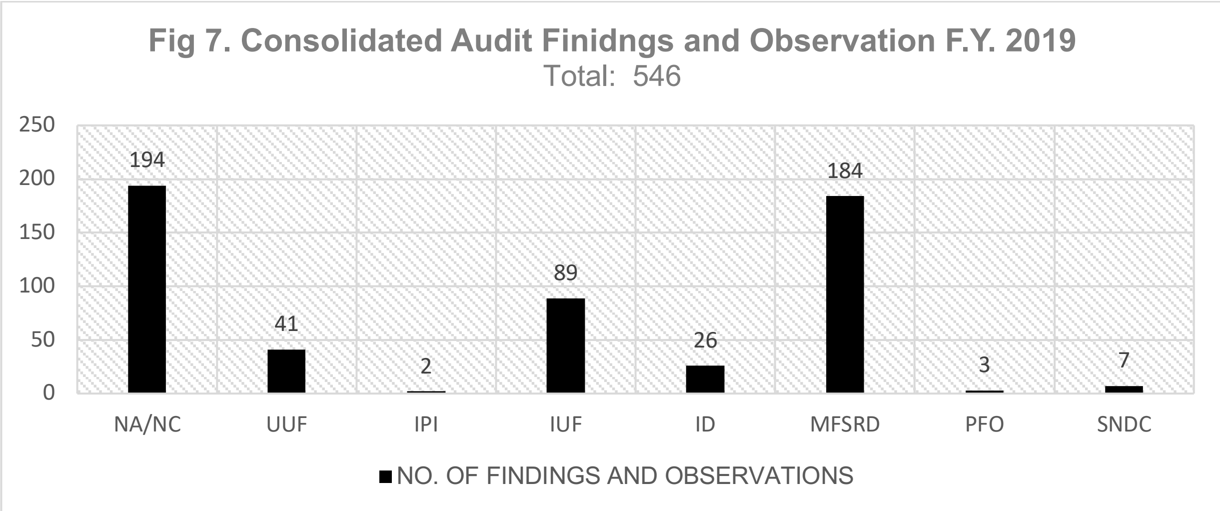
Several critics caution against pursuing the 4Ps or *Pantawid Pamilyang Pilipino Program* of the government, which has had a demonstrable positive effect on the lives of 4.4 million low-income families (Pangilinan, 2018), but it is very seldom for audit findings on the agency to earn gripes. Despite the occasional press release of COA and the annual, although sometimes delayed, release of audit reports on their website, several people are not aware of specific audit findings and observations on the Department of Social Welfare and Development, as well as the whole government in general.

In 2019, 34 counts of Misreporting/Failure to Submit Reports/Documents, 32 counts of non-adherence/non-compliance, and 28 counts of improper use of funds were noted out of 109 total findings in the agency. These findings range from a Php 352.5M worth of Sustainable Livelihood Program fund that was improperly implemented up to a Php 41.5B worth of transactions that are non-compliant with existing policies and guidelines, especially the RA 9184.

Questionable transactions were also noted in the 2019 audit report amounting to Php 18.264B due to the delays in the submission of reports along with Php 7.5B worth of ageing receivables from National Government Agencies, Local Government Units and public enterprises ranging from 1 year to more than 6 years and ageing unliquidated cash advances worth Php 3.844B. A notable finding from the 2019 audit report also showed that Php 796.7M worth of stipend remains unpaid to senior citizen recipients due to inadequate monitoring of liquidation of cash advances, contrary to another finding involving the disbursement of several funds and accounts despite incomplete documentations. This shows a clear disarray in the purpose of the funds; furthermore, the purpose and function of the agency, wherein benefits which could have been enjoyed by the recipients in light of need and urgency, are left at bay.

Consolidated Total Findings and Observations for the Top 6 Agencies in 2019

Violation of, but not limited to, the rules, regulations, policies, and laws, or the non-adherence/non-compliance, is the most frequent finding among the six agencies in 2019, with a total of 194 counts or 35.53 percent. This is followed by misreporting/failure to submit report/document at 184 counts or 33.7 percent, and improper use of funds with 89 counts or 16.3 percent of the total consolidated findings and observations. This suggests that submitted reports are delayed, or worse, not submitted at all, and also are faulty, biased, and inaccurate. There were only 3 positive findings and observations noted among the six agencies, and they had low individual payment issues in the audit report of 2019.



Cost of Findings and Observations for Audit Report 2019

Table 1. *Consolidated Cost of Findings and Observations for the top Six Recipient Agencies of the National Cash budget of 2019*

AGENCY	NO. OF FINDINGS	% TO TOTAL	~COST OF FINDING/ OBSERVATION	% TO TOTAL	~2019 CASH BUDGET	% TO CASH BUDGET
DPWH	39	7.14	₱ 346,006,651,580.39	32.85	₱ 465,200,000,000.00	74.38
DEPED	179	32.78	₱ 260,150,989,210.16	24.7	₱ 665,100,000,000.00	39.11
DND	19	3.48	₱ 1,471,251,441.56	0.14	₱ 186,500,000,000.00	0.79
DILG	65	11.90	₱ 17,288,850,611.27	1.64	₱ 230,400,000,000.00	7.50
DOH	135	24.73	₱ 334,267,598,594.78	31.74	₱ 168,500,000,000.00	198.38
DSWD	109	19.96	₱ 94,063,321,899.60	8.93	₱ 177,900,000,000.00	52.87
TOTAL	**546**	**100**	**₱ 1,053,248,663,337.76**	**100**	**₱ 1,893,600,000,000.00**	**55.62**

For the year 2019, a total of 546 counts amounting to Php 1,053,248,663,337.76, estimated cost of finding and observation, which is 55.62 percent of the total cash budget for the year, was noted by the Commission on Audit. Of the six agencies, the estimated cost of finding is highest in the DPWH and followed by the DOH, with DND and DILG having the lowest. As to the number of findings/observations, DepEd had the highest at 179 counts, followed by DOH at 135 counts and DSWD at 109 counts. The department with the fewest findings among the selected agencies is DND, with only 19 counts. Despite having the highest cost of finding, DPWH has a relatively low number of findings compared to DOH and DepEd, which have a high number of findings and also a high estimated cost of findings and observations. On the contrary, DSWD has a high number of findings but has a relatively low estimated cost of findings and observation compared to DOH and DepEd. DND is relatively clean, followed by DILG. This implies that the cost of programs, projects, and activities, as well as the number of personnel and facilities, have an influence on the amount of paperwork and the number of possible violators and violations, putting the agency at risk of audit findings and observations. DPWH projects are large-scale compared to other departments and so have aggregated audit findings and observations. DOH and DepEd, on the other hand, have many paper trails due to the manpower and number of facilities throughout the Philippines.

These audit findings and observations have been recurring for years and across all administrations from the past up to the current. The numerous violations and mismanagement reflect an unhealthy fiscal administration of the government and an indicator of a need for good governance reform.

However, these reports from the Commission on Audit are also audited by the Commission on Audit, so it is not impossible for agencies to also raise the question of the accuracy, objectivity, integrity, and even the infallibility of these reports.

In 2019, the DepEd secretary responded to the COA's 2018 audit report on their agency. This is due to a number of lawmakers expressing their dissatisfaction with DepEd's results and unveiling calls for an investigation, as well as netizens publicly expressing their judgments via different social media platforms, while the media commented on it, often using superlative explanations. In DepEd's defense, their remarks on the audit findings, which are partially incorporated in the audit report itself, are lost among the claims and headlines. The secretary said that they collected the audit findings via memorandum on different dates and sent their interpretations, clarifications, and/or corrective measures accordingly. Furthermore, DepEd's officials were said to have had exit conferences with the resident auditor as early as March in preceding year to discuss remedial action and the secretary herself have had a meeting with the COA Chair to have a productive discussion. The secretary shared her detailed responses to every finding and observation the report in the hopes of being heard and considered on the agency's behalf. The Commission on Audit's role in fostering the quality and fairness of government agencies as well as safeguarding public resources against illegal or unconscionable expenses is highly regarded by government bodies with respect to their authority and responsibility to inspect and review all expenses and uses of funds and properties. The point of DepEd's secretary is that findings and observations are not necessarily or automatically synonymous to anomalies or graft and corruption, that in this era of social media and snap judgements, audit reports done outside of authority can be extremely detrimental to institutions, eroding public trust towards the government (Briones, 2019).

CONCLUSION

The counts and cost of questionable accounts and transactions in the six agencies with the largest share of the national cash budget in 2019 suggest that they failed to manage public resources and are reflective of an unhealthy fiscal administration. Furthermore, these agencies also find adherence/compliance to rules, regulations, policies, and laws to be a challenge, along with the timely and accurate submission of reports/documents. These issues have been recurring year on year and are reflected in several programs, projects, policies, and activities that have been implemented improperly, and for some, not at all. Audit reports from the Commission on Audit rarely detect positive findings and observations among the six selected agencies. These reports are used by the legislators, the media, and the masses as a gauge to form and influence trust and governance acuity, noting every finding and observation as a failure to render intended benefits and purposes to its citizens. Finally, the Commission on Audit was also flagged for failure to encapsulate a checked and balanced audit report wherein corrective measures, explanations, and clarifications from audited agencies are excluded.

Lessons Drawn

The Proactive Check and Balance Policy is then recommended for the improvement of the auditing system and the fiscal administration of the Philippine government, ensuring that in all the phases of the implementation of the national budget, audit review is employed in full without any form of discount. Audit reports and findings will be posted in bulletins as part of the citizens' charter, which will be accurate and on time and is free from oversight as verified, checked, and co-audited by the end-users/beneficiaries. Stakeholder participation will be more inclusive, and the Commission on Audit's auditing standard operating procedures will be disseminated and discussed via seminars and training at least once every quarter to help auditing personnel, especially end-user representatives. The state auditing body shall also be subjected to this policy, such that audit activities related to the auditing of the national budget implementation will also be checked for possible oversight or worse, manipulation of data/accounts for other interests than that of the masses. Furthermore, the following approaches to auditing the national budget implementation are stipulated:

a. ***Assessment of Needs and Analysis of Viability*** – The state auditing firm shall document the purpose and objective of a project, program, or activity and determine its feasibility given the resources and other factors that might affect the venture.

b. ***Defining Indicators*** – when the project, program, or activity is already labeled as feasible by the state auditing body, the scope, budget, timeline, and milestones shall be clearly defined and documented so that measures or assessment parameters shall be set in place not just for the auditing body but for all of the stakeholders.

c. ***Assessment of Key Personnel*** – project/program/activity managers, leaders, sponsors, suppliers, and other allied and key personnel for the implementation of the national budget shall be examined by the auditing body so as to ascertain the qualifications, capability, as well as the legitimacy of transactions.

d. ***Monitoring and Evaluation of Implementation*** – when the contracts and clauses have been written and signed, implementation of the budget proceeds, the assessment and documentation phase of the auditing of projects/programs/activities also commence at the same time.

e. ***Fiscal Risk Assessment*** – pre, during, and post implementation, this assessment shall be conducted to ascertain root causes and possibly avoid them in the next budget implementation, and most importantly, how to manage them during the implementation at hand.

f. ***Audit Data Management*** - attached to the annual audit reports, the results of the assessments made will also be reported in progress to the budget implementation and at turnover, a comprehensive audit report specific to the project/program/activity will be submitted to the appropriate government office with jurisdiction of the project/program/activity as well as the institutions involved, as the case may be.

The ultimate purpose of this policy is to mandate the checking of the proper implementation of the national budget and the technical and operational appraisal of a project/program/activity before, during, and after its implementation. With the existing audit standards and methodologies, recommendations are very lax and more often than not lead to the tolerance of non-compliance and/or non-adherence to the legal bases of government activities such as the RA 9184 or the Government Procurement Reform Act. In addition, although audit reports and findings are open to the public for transparency purposes, the awareness of people regarding these reports is very low, if anything at all. Furthermore, auditing methodologies also lack substantial end-user participation and involvement, which could be a countermeasure for oversight. In this manner, all the stakeholders are involved and are well represented, who are coming up with a check and balance that is relevant and timely, and not only when the national budget is already spent, and non-compliance or improper use of funds, among many others, have already manifested. This will also ensure the well-timed submission of accurate reports for the reference of all stakeholders. Moreover, this focuses on the efficiency of the utilization of resources and also assesses the performance of the government contractors involved in every specific budget implementation. With the Commission on Audit conducting audits for the organization itself, just like the Department of Budget and Management, releasing budget for itself, this policy will ensure the sanctity of the national budget and the activities in accordance with the standards, with the definitive purpose of providing social amelioration programs and projects with optimal outcomes.

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