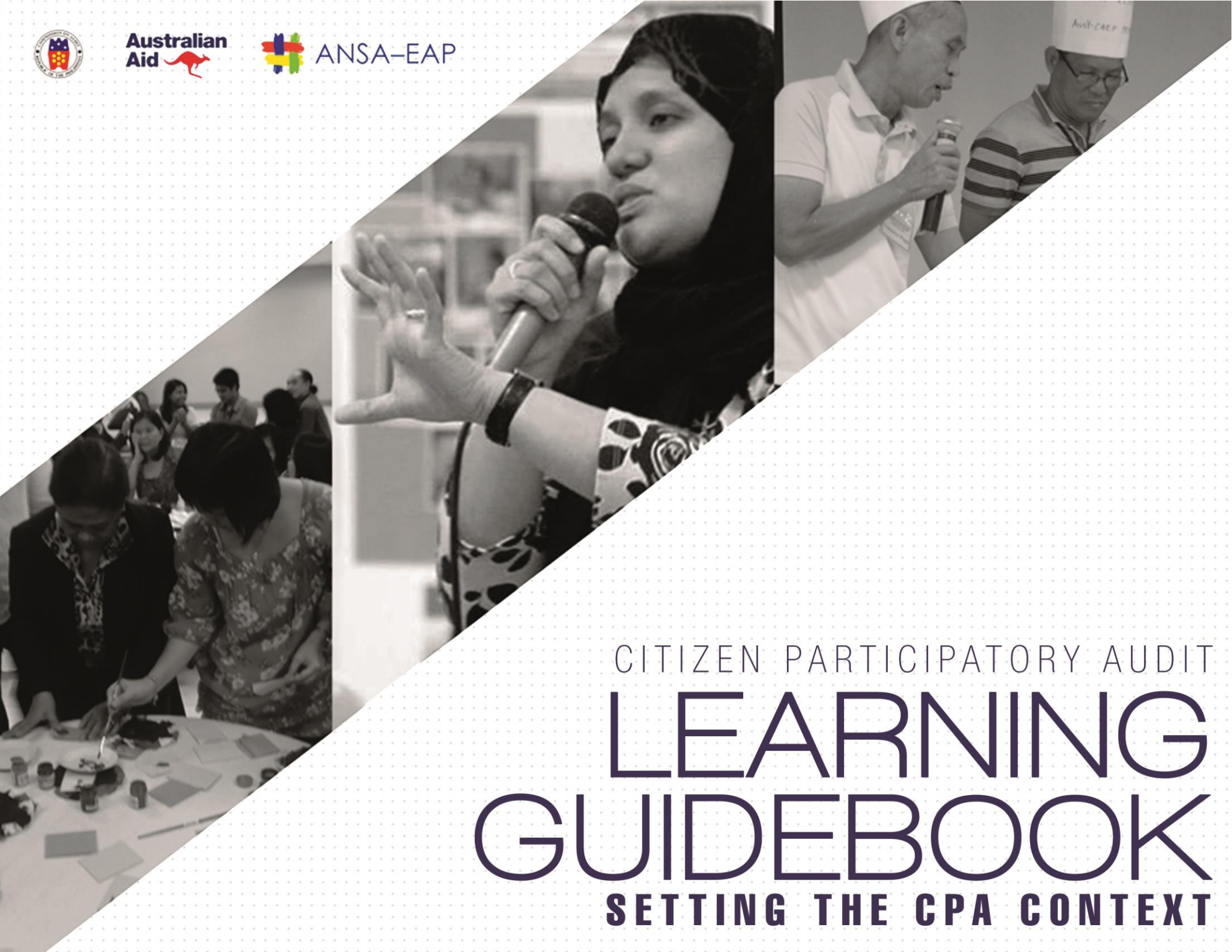




Australian  
Aid 

 ANSA-EAP



CITIZEN PARTICIPATORY AUDIT  
**LEARNING  
GUIDEBOOK**  
SETTING THE CPA CONTEXT

# SETTING THE CPA CONTEXT

## COA 101: Understanding COA As the Supreme Audit Institution

### SESSION OVERVIEW

This session provides a discussion about the Commission on Audit, its constitutional mandate, vision, mission, goals, core values and principal functions. It also provides an overview on the meaning of audit, the audit process, the concepts and process involved in the various phases of audit, namely; Planning, Execution, Reporting, and Monitoring which would serve as jump off point for succeeding sessions. All of these are imparted to learners as they go through activities, exercises and sharing of related experiences.

### LEARNING OBJECTIVES

At the end of the seminar, the participants will be able to:

- Identify COA's functions;
- Distinguish the types of audit being undertaken by COA; and
- Describe the general phases of the audit process.

## SUGGESTED ACTIVITIES

- Lecture-discussion
- Exercises

## MATERIALS/EQUIPMENT

- Powerpoint presentation
- Computer
- Projector
- Marking pen
- Tape

## TIMEFRAME

60 minutes

## METHODOLOGY

- Lecture
- Exercise and group discussion
- Warm-Up Activity
- Questions about the Commission on Audit shall be shown to the participants as a warm-up/introduction to the Session.

## CONTENT/GUIDES FOR INSTRUCTOR/FACILITATOR

### COA FUNCTIONS

The Philippine Constitution states that the principal duties and functions of the Commission on Audit are:

- **Auditorial** – This comprises examination, audit, and settlement of all accounts pertaining to the revenue and receipts of and expenditures or uses of funds and property owned or held in trust or pertaining to all political subdivisions of the government such as the provinces, cities, municipalities and barrios and government agencies and instrumentalities including government-owned and/or controlled corporations
- **Rule-making**- This involves prescribing accounting and auditing rules and regulations to be observed by government agencies in the management of their financial affairs and in the review and appraisal of their operations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant or unconscionable expenditure and uses of government funds and properties.

The Commission Proper may also make policy proposals for other agencies with related functions.

- **Reportorial** – COA is required to submit to the President and to Congress, not later than the last day of September of each year, an annual report on the financial condition and results of operation of all agencies of the government which shall include recommendations of measures necessary to improve the efficiency and effectiveness of these agencies. COA

prepares the Annual Financial Report (AFR) for the three sectors of the government (national, local and corporate).

The reporting responsibility of COA has a two-fold purpose:

- (a) to exact accountability from the Commission, and
- (b) to provide the Executive and the Legislative departments of the government with objective financial reports which are necessary in decision-making and fiscal management as well as in development planning.

The AFR is different from the Annual Audit Report (AAR) issued to each audited agency and addressed individually to the agencies' respective heads, copy furnished the President and Congress. The AAR is intended to present a financial picture of the audited agency and the results of its operations. It is the culmination of the auditor's post-audit work for the whole year.

- **Quasi-judicial** – The COA exercises adjudicatory powers. Its findings of fact are exclusive and final. Any party, whether a public officer or private person, aggrieved by any decision, order or ruling of the Commission may elevate the matter to the Supreme Court on certiorari. The Supreme Court, which is vested with exclusive appellate jurisdiction over appeals from COA decisions, cannot entertain appeals to question COA's findings of fact.

The COA, like the Court of Appeals, has exclusive jurisdiction over issues involving questions of fact. This places COA at par with the appellate court.

- **Recommendatory** – The recommendatory function of COA provides the legal basis for the modern thrust in state audit called Performance Audit or three E's in state audit: Economy, Efficiency, and Effectiveness Audit. The recommended measures necessary to improve the efficiency and effectiveness of government offices and instrumentalities form part of the annual report which are submitted to policy makers in aid of their law-making function. Under this constitutional requirement, it is necessary to go into performance audit in order to anchor the recommendatory function on solid data.
- **Limited Accounting** – An audit office does not ordinarily carry out accounting functions. The Philippine set-up is exceptional in that COA has been constitutionally entrusted with a limited accounting function, which is to “keep the general accounts of the Government.”
- **Custodial or Archival** – The COA is the constitutionally-designated custodian/official repository of documents or vouchers evidencing transactions pertaining to the general accounts of the Government.
- **Others** – to perform other duties and functions as may be provided by law.



## JURISDICTION OF COA

The authority and powers of COA to audit covers the following entities:

- a. National government
- b. Political subdivisions, agencies and instrumentalities
- c. Government-owned and/or controlled corporations, their subsidiaries, other self-governing boards, commissions, or agencies of the government
- d. Non-governmental entities subsidized by the government
- e. Entities funded by donations through the government
- f. Entities required to pay levies or government share
- g. Entities for which the government has put up a counterpart fund or those partly funded by the government
- h. At COA's initiative, the audit is confined only to funds or subsidies which come from or through the government:
  - non-government entities subsidized by the government
  - those required to pay levies or government share

- those which have received counterpart funds from the government or partly funded by donations through the government
- i. Non-government entities, upon Presidential direction, whose loans are guaranteed by the government, the audit to be confined only to the government's contingent liability.

### COA Statement of Objectives

In keeping with its Constitutional mandate, the Commission adheres to the following primary objectives:

- a. To determine whether or not the fiscal responsibility that rests directly with the head of the government agency has been properly and effectively discharged;
- b. To develop and implement a comprehensive audit program that shall encompass an examination of financial transactions, accounts, and reports, including evaluation of compliance with applicable laws and regulations;
- c. To institute control measures through the promulgation of rules and regulations governing the receipts, disbursement, and uses of funds and property, consistent with the total economic development effort of the government;

- d. To promulgate auditing and accounting rules and regulations so as to facilitate the keeping, and enhance the information value, of the accounts of the government;
- e. To adopt measures calculated to hasten the full professionalization of its services;
- f. To institute measures designed to preserve and ensure the independence of its representatives; and
- g. To endeavor to bring its operations closer to the people by the delegation of authority through decentralization, consistent with the provisions of the new Constitution and the laws.

### COA Vision and Mission

Guided by the constitutional provisions the Commission on Audit under the leadership of the COA Commission Proper adopted the following:

**COA Vision**

*A credible, trustworthy and independent  
Supreme Audit Institution;  
a vibrant partner in nation-building;  
a bulwark of integrity and competence;  
an organization of professionals  
with a culture of excellence;  
a respected member of international organizations  
of Supreme Audit Institutions.*

### COA Mission

To carry out our constitutional mandate with highest degree of professionalism, competence, integrity, teamwork and organizational efficiency, and promote the people's trust in government by upholding public accountability.

#### Core Values

- God Centeredness
- Excellence
- Generosity
- Patriotism
- Loyalty and Respect for Authority
- Courtesy, Modesty and Humility

### Goal

*"To make the Commission on Audit a vibrant partner in nation-building; a haven of integrity and competence; an organization of professionals with a culture of excellence; where good work is treasured as a reward in itself; a quality member of the international organizations of supreme audit institutions."*

## COA Officials and Organizational Structure

### 1. The Commission Proper

The Commission Proper is composed of the Chairman and two Commissioners. It is the highest policy-making body and therefore, defines the thrusts, policies and specific objectives of the organization. It also defines operational policies, promulgates rules and regulations, and monitors the implementation of such policies, rules and regulations. It may also make policy proposals to other agencies whose functions are related to that of the COA. The Commission Proper appoints, in accordance with the Civil Service Law, the officials and employees of COA wherever they are stationed or assigned.

The terms of office of the original commissioners appointed are staggered to seven, five and three years in the order of their appointments. Appointment to any vacancy is only for the unexpired portion of the term of the predecessor.

#### •The Chairperson

The Presiding Officer of the Commission Proper and the Chief executive Officer of the Commission on Audit and as such, is responsible for the general administration of the Commission and controls and supervises the audit of highly technical or confidential transactions or accounts of any government agency.

#### • The Commissioners

They assist in the general administration of the commission, formulate, propose and evaluate operating policies and accounting and auditing rules, and review cases for Commission proper decisions.

## **2. The Assistant Commissioners**

The Assistant Commissioners' Group is an executive management committee with oversight functions. Each Assistant Commissioner discharges the duties and responsibilities of a sector head of the Commission.

## **3. The Audit Sectors**

There are three audit sectors which conduct and oversee the comprehensive audit of accounts and transactions pertaining to revenue and receipts, expenditures and uses of funds and property and recommends measures to improve operations of government. They also advise and assist the Commission Proper on matters pertaining to the audit government agencies. The jurisdiction of each audit sector are:

- National Government Sector – for national government agencies.
- Local Government Sector – for local government agencies
- Corporate Government Sector – for GOCCs

## **4. Support Sectors**

### **Special Services Sector**

The Special Services Sector (SSS) conducts performance audit of functions performed and programs implemented by the different government agencies. It undertakes special audits as well as rate, franchise, levy and subsidy audit services.

It also provides technical audit functions such as the review of government projects, appraisal of equipment, machinery and real property, and determination of the reasonableness of prices of goods, services and projects. Furthermore, the SSS provides the development, maintenance, administration and audit of information systems.

### **Legal Services Sector (LSS)**

The Legal Services Sector prepares draft decisions on appeals, money, claims, condonation and requests for relief from accountability. It renders legal opinions, gives consultation advice, and provides other legal services.

It evaluates requests for fraud audit, conducts fraud audit, and prepares the reports. It issues Notice of Disallowance/Charge and acts on appeals from such disallowances. It also institutes appropriate cases on fraud audit reports and provides administrative investigation services.



### **Government Accountancy Sector (GAS)**

The Government Accountancy Sector is responsible in keeping the general accounts of national government agencies. It comes up with the Annual Financial Report of the National Government, the Annual COA Report on Cumulative Allotments, Obligations and Disbursements and other reports for submission to the President and the Congress. It also provides public debt monitoring services and accounting research and development services.

### **Planning, Finance and Management Sector (PFMS)**

The Planning, Finance and Management Sector (PFMS) maintains the books of accounts of the Commission, provides adequate funds for the operations of the Commission, and provides billing, payroll and remittance services.

It recommends, reviews and evaluates matters relating to planning and risk management; develops and administers the Commission's performance measurement system and prepares and submits the CIOA Annual Report; and also provides budget preparation, execution, and accountability services.

### **Administration Sector**

The administration sector provides services related to human resource, records, security, maintenance of facilities,



procurement and management of equipment, goods and services, treasury, medical, and dental and other general services to the Commission.

### **Professional and Institutional Development Sector (PIDS)**

The PIDS takes charge of the professional development of the Commission's workforce and that of the other government agencies. It establishes and maintains linkages with international bodies as well as private training institutions for

available professional development/training packages and opportunities. Aside from the preparation and implementation of its annual training program, it also provides library, printing and publication services. Recently, it was also given the task to undertake policy studies and research relative to professional standards and best practices in accounting, auditing and related fields to bring the Commission at par with its fellow Supreme Audit Institutions (SAIs), and to evaluate the existing quality control system to ensure that COA and its personnel comply with professional standards and regulatory legal requirements.

### **Regional Offices (ROs)**

COA has 17 RO outside of Manila. Each regional office is responsible for the audit of regional units of national and corporate agencies, and local government units within its jurisdiction; performs overall management of the accountancy, settlement, adjudication and legal services or activities of the region; and maintains technical and information technology, legal, administration, training finance services. The regional offices are headed by Regional Directors.

### **The Auditor, the representative of the Commission in the audited government agency**

PD 1445 provides that each agency of the government (national, local, corporation) should have an auditing unit headed by an auditor assigned by COA. The auditor shall be a certified public accountant or a member of the bar or a holder of a degree in commerce or B.A., major in accounting. The Auditor exercises powers and functions authorized by COA in the examination, audit and settlement of the accounts, funds, financial transactions, and resources of the agencies under his audit jurisdiction.

The auditing unit is provided by the audited agency with a suitable and sufficient office space together with supplies, equipment, furniture, and other necessary operating expenses for its proper maintenance, including expenses for travel and transportation.

### **Policy Directions**

In line with the national government's intensive campaign fighting corruption, the COA has set its policy directions on the following:

- **Integrity**

The COA is committed to work for the growth of its labor force and professionalism, patriotism and integrity.

- **Organizational Efficiency**

The COA shall revisit its mandate and assess its directions. It shall evaluate its organizational structure, management and business processes. Moreover, it shall undertake all necessary reforms so as to institute efficiency and effectiveness in carrying out its tasks and strengthen its independence.

- **Professionalism and Technical Competence**

The Commission shall continuously upgrade the capabilities of its workforce, especially in the areas of forensic accounting, fraud audit and evidence gathering.

- **Strategic Partnership and Linkages**

This policy was founded on the premise that public accountability can prosper only with a vigilant and involved citizenry. A comprehensive program is being developed wherein key post organizations, the media, the clergy, business chambers and the public will be integrated in the various aspects of the audit process.

The COA is continuously accepting CPAs, accounting majors, lawyers, engineers and other professionals to strengthen the multi-disciplinary force of COA for a better quality public sector audit.

To further develop needed competencies, the Commission enhanced its research and training programs interfacing with

other institutions. It broadened access to professional development for the Commission's personnel and executives.

### International Linkages

The COA is a member of the following:

- International Organization of Supreme Audit Institutions, or INTOSAI,
- Asian Organization of Supreme Audit Institutions or ASOSAI (also the founding member)
- Association of South East Asian Nations of Supreme Audit Institutions or ASEANSAI

It has broad experience in auditing international organizations:

- 18 years as member of the UN Board of Auditors (1984 to 1992 and 1999 to 2007) tasked to audit UN agencies
- 12 years as external auditor Food and Agriculture Organization (FAO) starting 2008
- 4 years as external auditor of World Health Organization for two financial years, 2012 to 2013 and 2014 to 2015
- 28 years as auditor of Nationally-executed (NEX) projects in the Philippines – UNDP, UNFPA and UNICEF (since 1985)

## Summary

As the Supreme Audit Institution of the Philippines, COA has broad powers and functions. It plays an important role as the guardian of public funds and property. COA's institutionalization of its framework of action leads to accountability, transparency, equity, innovation, and responsiveness, etc. all of which lead to the delivery of better services to Filipinos.

## The Audit Function: A Background

### Meaning of the word "audit"

Audit in a broad sense refers to the examination of accounts conducted mainly to attest to the fairness of the presentation of financial statements and to determine compliance with applicable rules and regulations. It is also the evaluation conducted to assess how a government project was implemented based on the criteria of economy, efficiency and effectiveness.

Audit is also defined as a systematic process of objectively obtaining and evaluating evidence regarding the reliability of the assertions made by the audited entity for the purpose of rendering an independent opinion on these assertions and communicating this opinion to the end-users.

## State Policy On Resources of the Government and Basis for Conducting Audit

It is the policy of the state that all resources of the government shall be managed, expended or utilized in accordance with law or regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The chief or head of the government agency is responsible for the implementation of this policy.



P.D. 1445 mandates and entrusts COA with the duty to undertake independent audits aimed at providing adequate, reliable and current information on the affairs of government and how its officials exercise their fiscal responsibilities.

### Public Accountability and Audit

Auditing is an integral part of the accountability process in government. It promotes sound and prudent financial management by monitoring and evaluating the financial and operational activities of every public office and public officer, thus keeping them within the bounds of law and regulations and the standards of economy, efficiency and effectiveness.

Through public accountability, accurate, useful and timely information is provided to the people on how individuals, offices or groups entrusted with state resources and fiscal responsibilities carry out their activities.

Public accountability is the foundation of integrity and is the key to effective governance. These are three types, namely:

- a. Fiscal responsibility – includes fiscal integrity, full disclosure and compliance with rules and regulations
- b. Managerial accountability – concerned with efficiency and economy in the use of public funds and other resources
- c. Program accountability – concerned with ensuring that government programs and activities effectively

achieved the objectives established with due regard to cost and results

### Why Is There a Need for an Audit?

- a. To ensure that reliable information is provided to decision makers
- b. Goals of information providers may run counter to those of the users of information
- c. Unattested figures may create distortions in policy-making decisions

### Types of Audit Conducted

The Commission on Audit undertakes various types of audit in examining government transactions, as follows:

- Compliance audit focuses on whether a particular subject matter is in compliance with authorities identified as criteria. It is performed by assessing whether activities, financial transactions and information are, in all material respects, in compliance with rules, laws and regulations, budgetary resolutions, policy, established codes, agreed terms or the general principles governing sound public-sector financial management and the conduct of public officials.

- Financial audit focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework. This is accomplished by obtaining sufficient and appropriate audit evidence to enable the auditor to express an opinion as to whether the financial information is free from material misstatement due to fraud or error.
- Performance Audit focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency

and effectiveness and whether there is room for improvement. Performance is examined against suitable criteria, and the causes of deviations from those criteria or other problems are analysed. The aim is to answer key audit questions and to provide recommendations for improvement.

## SUMMARY

**Auditing is the cornerstone of good public governance. The COA, through its audit and related services, is charged with ensuring the integrity of fiscal and financial transactions of the government, and achieving accountability and improved operations, thereby instilling confidence among the Filipino people**

# Acknowledgements

We take great pleasure in recognizing the following individuals who brought in their knowledge and expertise in developing this Learning Guidebook.

## **Commission on Audit**

- Chairperson Maria Gracia Pulido Tan
- Commissioner Heidi L. Mendoza
- Assistant Commissioner Luz L. Tolentino
- The CPA Project Management Team
  - Dir. Aida Maria A. Talavera
  - Dir. Delia Agatep
  - Dir. Melanie Añonuevo
  - Dir. Leila S. Paras
  - Dir. Ma. Realiza R. Ysmael
  - Maria Ramona Jimenez
  - Aldrin Paul S. Romero

## **Department of Foreign Affairs and Trade, Australian Embassy**

- Mr. Daniel Featherston

## **Public Financial Management Program implemented by Coffey International Pty., Ltd.**

- Mr. Basile Gilbert
- Ms. Virgie Ongkiko

## **Affiliated Network for Social Accountability in East Asia and the Pacific Foundation, Inc.**

- Mr. Redempto Parafina
- Citizen Participatory Audit Project Team
  - Vivien Suerte-Cortez
  - Adelfo Briones
  - Boy Randee Cabaces
  - Adelle Liezl Chua
  - Christine Marie Cruz
  - Shigemi Muramatsu
  - Emerson John Lozanta
  - Imelda Perez

Thank you very much for your valuable contributions.

The Citizen Participatory Audit project is a joint initiative of the Commission on Audit and the Affiliated Network for Social Accountability in East Asia and the Pacific. This is supported by the Department of Foreign Affairs and Trade – Australian Embassy through its Public Financial Management Program implemented by Coffey International Pty. Ltd.

For more information, you may visit the following websites:

[www.coa.gov.ph](http://www.coa.gov.ph)

[www.i-kwenta.com](http://www.i-kwenta.com)

[www.ansa-eap.net](http://www.ansa-eap.net)

#### **WRITTEN BY**

Delia Agatep | Adelfo Briones | Shigemi Muramatsu | Imelda Perez  
Vivien Suerte-Cortez | Ma. Realiza Ysmael | Aldrin Paul Romero

#### **EDITED BY**

Antonette Reyes

#### **PHOTOGRAPHY BY**

Adelfo Briones | Arnel Culala | Christine Marie Cruz

#### **DESIGN AND LAYOUT BY**

Emerson John Lozanta