

**Piloting Participatory Audit in the Philippines:
Constructive Engagement between the CCAGG and COA**

Participatory audit can work if stakeholders—the government, civil society, development partners and the private sector—agree to cooperate with each other to improve transparency and governance in the public sector.

This was demonstrated in the Philippines by the Concerned Citizens of Abra for Good Government (CCAGG) which worked closely with the Commission on Audit (COA) in a program entitled “Enhancing the Public Accountability Program of the Philippines COA” which was funded by the United Nations Development Programme (UNDP).

The actors

COA is the supreme audit institution of the Philippine Government. It was then in the process of reforming itself, mindful of the need for transparency in its work and its role in promoting good governance within the Philippine government bureaucracy. The CCAGG, on the other hand, is a network of civil society organizations engaged in anticorruption work. It had, on its own, monitored the conduct of various public infrastructure programs, using tools it had developed and with the help of community volunteers.

The program called for CSOs to participate in the audit process to ensure the credibility and transparency of the audit process. It entailed the participatory audit of 23 road projects and 9 other projects under the Soil Conservation and Watershed Management in Abra province in northern Philippines, a mountainous area situated far away from the capital.

In the process, other actors came into play, among them the Department of Public Works and Highways (DPWH) and the Department of Environment and Natural Resources (DENR).

Techniques

A responsive government. Underpinning the initiative was the thrust of the government to push for CSO participation in government activities, which was enshrined in the new Philippine Constitution. This had the solid backing of the President of the country. At the agency level, it helped that COA had recognized the need to reform its processes, and had shared this concern with the UNDP. Its leadership knew that it needed to make its processes more transparent, and acknowledged that it needed help to do so.

Organized citizen groups. It was equally important that there was an organized citizen group that could take on the challenge of conducting audits on the ground. CCAGG had a developing partnership with UNDP, which had observed the group’s anticorruption work and saw the great potential of its community-based monitoring approach in governance initiatives across the Philippines. In fact, the only missing link was that CCAGG had no interaction with the COA.

Bringing partners together. The process of bringing the actors together did not come about automatically. The parties were going into uncharted territory, and there were apprehensions on both sides. The UNDP, in this case, served as a bridge that brought together the two parties, recognizing that they shared a common goal.

Cultural appropriateness. Undertaking a participatory audit was not easy given that this had not been done before. The partnership had to be done without offending sensibilities and personalities, in order to gain their buy-in and cooperation. Although COA was willing to undertake the participatory audit in theory, it was, understandably, skeptical, and did not easily agree to enter into a Memorandum of Agreement (MOA) with the CCAGG. COA said it wanted to be sure that its

prospective partner was worth working with. To ensure this, its Management Committee, under the office of the Chairman, went to Abra to assess CCAGG's capabilities. They met with CCAGG staff; visited projects in bumpy and out-of-the-way places being monitored by CCAGG; and interviewed government officials and other stakeholders to assess CCAGG's integrity. They went back to their Central Office impressed with the work of the CCAGG and convinced that "citizens should be empowered to be COA's partner for a better and vigilant government." In the succeeding months, the competence of CCAGG and the willingness of the COA to work with them established a foundation of trust that helped see the program through. The presence of governance champions in the COA was also a key factor that led to the signing of the Memorandum of Agreement between COA and CCAGG to jointly conduct the participatory audit (PA).

Prerequisites of engagement. Following the defined responsibilities of COA and CCAGG, an audit team was formed on a "per audit activity" and was dissolved after a specific engagement was completed. The formal engagement was preceded by team buildings and trainings on value for money audit, financial audit, fraud audit and monitoring and evaluation. Such trainings allowed the audit team to level off on basic concepts, especially because they came from different audit environments, with COA doing more of post audit and financial audit while CCAGG specialized in performance and social impact audits.

Tools

The **MOA** was one of the most important tools that led to the holding of the participatory audit. It signified the beginning of the partnership and set forth the guidelines that would bind the parties. The MOA outlined the general principles that governed the COA-CCAGG audit, as follows:

- Both COA and CCAGG agree to cooperate to the fullest extent possible in implementing the audit project to ensure successful outcome;
- Both will respect each other's internal structure, rules and procedures but shall also ensure strict compliance with government audit standards and practices including a provision against the premature disclosure of audit reports;
- Both shall ensure the smooth and timely implementation of the project; and
- The cooperation project shall be implemented in the context of COA's reform program as a way of promoting partnership with civil society and enhancing public accountability.

The MOA, in summary, emphasizes the need to conduct the audit in a culturally appropriate context.

The COA and CCAGG agreed that a **Value for Money (VFM)** audit was the appropriate approach to doing the participatory audit. VFM is an audit or evaluation of an agency's objectives that is usually translated into, or implemented as programs, projects and activities (PPA) under the budget system. It audits program results as it assesses how a government project was implemented based on the criteria of effectiveness, efficiency and economy. Accountability and best practices are encouraged. It establishes, for instance, the economy and efficiency of a project by asking if these projects, programs and activities are accomplished at the least cost to government. It also establishes if public funds were effectively used and resulted in the desired value or benefit by the people-beneficiaries.

Alongside this, a **Risk Management Assessment** was used in determining which government agencies will be covered by the audits, taking into consideration their impact, public interest, utility, risk, and suitability for an audit.

Needs assessment and capacity building. Upon the signing of this agreement, the COA and CCAGG identified the training needs of the audit teams to enhance their competence in conducting the

audit. From this, a training plan was jointly formulated indicating, among others, the technical and funding requirements for the training. The training activities were conducted in accordance with the approved training plan. In coordination with the UNDP, COA's State Accounting and Audit Development Office and the NEDA, and in consultation with the Project Manager, the trainors and resource persons were selected and other activities necessary in the conduct of said training carried out.

Detailed work plan. To set the terms of the project, it was necessary to establish clear operational guidelines using an audit work plan covering the duration of the project.

It included the following:

- the type and nature of audits to be pursued;
- the number of audits to be undertaken during the period;
- the agencies to be audited;
- the number of man-months required per project (identifying those for COA and for CCAGG);
- estimated total cost for each proposed audit engagement

The Project Team Supervisor prepared the detailed audit work program and detailed costing for each audit engagement and duly approved by the Project Manager, identifying:

- the number of staff (both COA and CCAGG) involved;
- their levels of involvement (team supervisor, team leader, team members);
- the number of man-months each staff will be involved in said project;
- the total estimated cost to be incurred per staff (for per diem) and other expense (office supplies, transportation rentals);
- the audit work program like audit area, audit objectives audit criteria, audit procedures, with specific assigned staff per procedure identified;
- deadlines for each major audit activity like: audit planning, audit execution, audit review, exit conference with management and submission of audit report

The CCAGG, for its part, was responsible for the conduct of the audit activities in accordance with the audit work plan and detailed audit work programs. Its responsibilities included:

- providing counterpart staff who were trained in methodologies/techniques used in conducting audit in partnership with COA auditors;
- providing inputs and suggestions on how to improve the training program to better suit the training program for other civil society organizations (CSOs) which may subsequently participate in this project;
- undertaking audit activities in accordance with the work plan and the audit work program and provided feedback to COA and UNDP on ways to improve the program design for possible replication;
- acting as resource persons to the other participating CSOs by sharing their experiences and learning in implementing the project;
- participating in the project assessment activities;
- complying with the standard audit practices required in COA audits and with audit procedures required in the audit work programs.

Audit focus. To audit the 23 road projects along the Abra – Kalinga and Abra Ilocos Norte route, it was decided to specifically focus on contract administration, contract implementation and social validation.

Record checking. The audit team examined available records related to the projects. This was necessary to establish the terms set forth in the contracts and project documents, which are supposed to be the basis of how the projects on the ground will be carried out – their design, costs, schedules, etc. The records also established the responsibilities of the government agencies and the contractors engaged to carry out the projects. These records had to be checked against oral reports and the actual projects.

Interviews with key project officials and beneficiaries. This helped provide a perspective of how the projects were administered and clarified questions on discrepancies and technical issues. Focus group discussions were facilitated with beneficiaries to find out their perception on how the road improvement projects affected their lives.

Site visits and inspections. These ocular visits validated what the records stated and determined adherence to applicable laws, rules and regulations. They also confirmed the veracity of written and oral information gathered.

Feedback. Tentative audit highlights were discussed with management during the exit conference. An Audit Observation Memoranda were sent to them earlier.

Tales:

- 1. Audit revelations.** When CSOs are able to take part in monitoring and auditing projects, there will be revelations that otherwise will not be uncovered. This was illustrated in nine projects of the DENR under the Soil Watershed Management program which were audited. Blatant contract violations were noted by the audit team. The audit called for checking on check dams, retaining walls and river bank revetment provided to the farmers to provide additional irrigation to their farms. These projects, however, were finished beyond the completion period. The audit pointed out the absence of an approved extension to justify the delay of project completion. Also, it pointed out that the DENR was silent on liquidated damages that were supposed to be imposed on the contractors. Disallowances were imposed on contractors of four other projects due to deficient implementation. Moreover, the audit showed that DENR management first issued the notice to proceed to contractors without first entering into a contract with each of them. The legal procedure states that the management should have first entered into a written agreement to allow lawful disbursement of government funds. The audit also found out that some projects were not attained due to poor planning, poor site identification, and poor maintenance standards. Needless to say, these resulted in losses for the government. These observations were communicated to the concerned officials through the Audit Observation Memoranda and discussed in the exit conference.
- 2. Disruptive politics.** Politicians can be a disruptive force and there are a number who are not open to the concept of constructive engagement and dialogue with CSOs. This was experienced by the CCAGG as it undertook the participatory audit. Although the CCAGG is based in Abra, the Provincial Government of Abra was, ironically, not covered by the participatory audit. This was due to apprehensions expressed by the Provincial Executive that the audit would be “politically motivated” and that the audit results might be used against provincial officials who were seeking another term. To underscore their vehement objection to the project, the top provincial officials wrote Commissioner Celso Gangan of COA and UNDP Resident Rep Terence Jones to revoke the MOA. This underscores how some government officials have no regard for good governance and transparency, and seek only to propagate themselves in office.

3. **Resolving a sticking point.** COA's last point on "no premature disclosure of audit reports" almost derailed its partnership with CCAGG. CCAGG believes that to be truly transparent, it should immediately prepare a report and discuss this in its radio program. In fact, it had been doing this for all its monitoring projects and this was the reason behind its effectiveness. CCAGG feared that its sudden silence might be misconstrued by its publics as a sign that it had softened, or worse, that it had been paid off. COA's explanation of the importance of not disclosing findings until COA's Central Office validated the reports led CCAGG to rethink the matter and understand the principle behind it. Recognizing that the COA was imposing this not because it wanted to be difficult, but because it was a basic reporting tenet, the CCAGG understood and agreed to the partnership.

Results:

The pilot testing of the participatory audit in Abra was adjudged a success by the COA, UNDP and NEDA. COA and CCAGG worked together effectively despite coming from different audit environment. Guillermo Carague, Chair of the COA said, "the citizenry can be harnessed to assist in performing activities which have in the past been considered as exclusively government's – to encourage and promote a higher level of accountability to our government transactions."

Thereafter, the PA was replicated in Samar, Daet, Camarines Norte and Mt. Province. More stakeholders supported the endeavour, such as urban poor groups in Camarines Norte and the Social Action and Development Center (SADC) in Mt. Province.

Eventually, the province of Abra hailed PA as an effective tool to enforce accountability and encourage people's participation in addressing graft and corruption. They also asked CCAGG to conduct PA to strengthen the financial system of barangays. Unfortunately, this project was shelved.

To share important lessons learned from this experience, a guide to conducting a participatory audit was published and made available to the public.

Lessons learned and recommendations:

Advocacy for the institutionalization of PA. This is necessary to ensure transparency in government transactions. Without advocacy and without the commitment of organized citizen groups and government champions, and in the absence of government policies that allow this to happen, the use and effectiveness of participatory audit will be severely limited.

Enlisting and accrediting CSOs to participate in the audit process. Because some government agencies fear that PAs may be disguised political tools, it will be useful to accredit CSOs that can do this, including only those that display the capability, commitment, and integrity to conduct audits fairly.