

**DEVELOPMENT OF BETTER AND BEST  
PRACTICES GUIDES TO ENHANCE  
ACCOUNTABILITY, GOVERNANCE AND  
AUDIT IN THE PHILIPPINES**

**(Strategic Paper)**

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## EXECUTIVE SUMMARY

In the last several years the private sector and government have embarked on many change initiatives to promote quality services. Organizations are consolidating the changes made, sharing best practices to promote and accelerate change, and looking for ways to use the best practices of others including benchmarking performance as part of systematic, planned approaches to managing change and providing quality services.

The Philippine Commission on Audit (COA) has undertaken a project study to enhance its public accountability program (EnPAP) and consequently has launched its "COA Reform 2000" Program as a change initiative. This strategic paper on development of better and best practices guides will complement COA's EnPAP and Reform 2000 programs. The objectives of this paper are as follows:

- **Stimulate** the development of better and best practices guides for use by COA and the Philippine public sector.
- **Document** the better and best practices of other institutions, other countries and other audit organizations both public and private.
- **Create** a database and foster the government-wide use of better practices to improve service delivery and enhance accountability, governance and audit.

The strategic paper illustrates the advantages of developing and using better and best practices to improve the public governance, accountability and audit processes as well as the benefits of having a common guide, both in terms of cost savings and in the realization of other soft benefits, such as the sharing of practices, knowledge and lessons learned.

The project will seek to identify better and best practices and thereafter develop the guides for use specifically by COA and the Philippine public sector. External and internal audits or assessments will then be geared toward measuring the effectiveness and level of service provided by the government, using the better and best practices in the guides.

With these deliverables in mind, the key activities to be pursued over the next four years are:

- definition of existing government practices;
- identification of latest best or better practices; and
- development of better and best practices guides.

Cost-benefit analysis will be an important aspect of the development initiative. As well, a business case will be prepared as a tool to gain the support and participation needed to carry out the project.

## I - Background

***The OAG's Financial Management Capability Model.*** During my practical training at the Office of the Auditor General of Canada (OAG), I learned about assessing financial management capabilities of departments using the Financial Management Capability Model. The Model was developed by the OAG using the methodology of the Software Development Capability Maturity Model by the Software Engineering Institute. The Model specifies the OAG's expectations and sets out the criteria that it will use in future audits of financial management.

Since its publication in April 1999, the Financial Management Capability Model has gained broad acceptance within the financial community of the Canadian government. The Model is a unique and innovative tool that the OAG uses in its audits of financial management in the government. Likewise, it is being used by government entities as a self-assessment tool for improving their financial management capabilities.

***The Project Drivers – COA's Recommendatory Function, Mission, EnPAP Program and Reform 2000 Project.*** The Philippine Commission on Audit (COA) is constitutionally mandated to, among other things, "recommend measures to improve efficiency and effectiveness in government operations", and thereby enhance governance and accountability in government and ultimately give the Filipino people the assurance that they get value for their money. Along this line, the Office, supported by the United Nations Development Programme (UNDP) and the National Economic Development Authority (NEDA), has undertaken a project study called "Enhancing the Public Accountability Programme of the Philippine Commission on Audit: A Preparatory Assistance (EnPAP)." The purpose of this study is to improve COA's capability to effectively discharge its duty of enforcing public accountability in the Philippines.

The EnPAP study resulted in the identification of certain reform measures needed to strengthen COA's capability in undertaking its auditing and accounting functions. The following are among the reform strategies contained in the Strategy for Reform Framework:

- (1) Undertake Change Management activities.
- (2) Conduct a study on the needs and expectations of clients, and on how best to address these.
- (3) Identify best practices of other SAIs, which should be adopted by COA to ensure the satisfaction of clients.
- (4) Implement risk assessment to improve financial and compliance and value-for-money audits.
- (5) Improve the review process for audit working papers and reports.
- (6) Improve audit reports.
- (7) Update audit methodologies to ensure that these are best suited to a Philippine setting.
- (8) Study the possible creation of a Research and Standards Formulation Unit/Office which will conduct studies and researches on current accounting and auditing methodologies including internationally accepted accounting and auditing pronouncements

- (9) Conduct studies on how to intensify the fight against graft and corruption with special focus on the best practices of other countries.
- (10) Improve fraud audit capabilities of auditors and enhance the conduct of fraud audit.
- (11) Draft the necessary laws and bills to amend existing laws, rules and regulations.
- (12) Work for the amendment of the Government Auditing Code of the Philippines (PD 1445).
- (13) Conduct a study on the organization to improve existing structure, functions and responsibilities, job description and personnel qualifications.
- (14) Conduct studies on how best to implement the audit team and non-residency audit strategies.
- (15) Conduct studies on the improvement of personnel-related systems taking into consideration the best practices in other SAIs and in private auditing firms.
- (16) Conduct training needs analysis using best practices in other SAIs and leading private auditing firms.
- (17) Prepare comprehensive training programs.
- (18) Improve the capability of auditors to perform computer audits.
- (19) Enhance employment of technology by COA in its operations.
- (20) Continuously review and update existing government accounting policies and standards.
- (21) Continuously conduct studies on different accounting systems for purposes of identifying best practices and improving existing government accounting system
- (22) Develop accounting manuals for distribution to clients.
- (23) Undertake integrated government-wide FMIS Projects.
- (24) Formulate an integrated training program on government accounting.

***Purposes of the Strategic Paper.*** Some ways of supporting COA in the implementation of the reform strategies would be to develop better and best practices guides, especially in the areas of government auditing and accounting and public management and take into account the latest trends and innovations. The process of sharing best practices, just like benchmarking, is a way of learning from the experiences of others, adopting the knowledge gained and significantly improving operational performance. Simply stated, if COA and the bureaucracy decide to redefine or reshape the way it serves its stakeholders, it should look to others that have gone in the direction it is headed. Sharing best practices would also be effective organizational change tools when used as part of a planned approach to improving service quality.

## **II - Nature and Objectives**

This paper will support and build on the EnPAP study and the COA Reform 2000 Program. It aims to develop better practices guides for use by COA as well as the

public sector auditees and thereby improve public administration and public sector performance. It also aims to develop in the Philippine bureaucracy a culture that supports continual change and improvement, in order to sustain its programs in the future. Program delivery must be continually modernized, improved and directed toward the interests of the stakeholders, and the government must maintain and enhance its accountability to the Filipinos. Specifically, the objectives of this Paper are:

- 1) to stimulate the development of guides that sets out better, if not best, practices that should guide COA and the public sector in the performance of their functions;
- 2) to document the better and best practices identified in the EnPAP and COA Reform 2000 projects from other countries, other Supreme Audit Institutions (SAIs), across government and the private sector, in order to facilitate the implementation by COA of its accountability and audit improvement initiatives and for the government to enhance governance and accountability; and
- 3) to create a database of applicable better and best practices in COA and thereafter foster a government-wide use of the best practices to:
  - improve service delivery and client satisfaction
  - improve employer and employee satisfaction
  - minimize duplication
  - enhance economy and improve operational efficiency and effectiveness.

### **III - Expected Outputs (Relationship to Audit Office Needs/Priorities)**

***Benefits of Better and Best Practices Guides.*** Such guides will aim to assist agencies and other bodies to test their own system and, where applicable, improve their practices and performance. As well, COA may use these guides as a checklist for reviewing management action, or lack of action, in later audits. In part, the guides will assure the Congress and policy or decision-makers that audits of financial control and administration are followed up appropriately.

Better practices guides will be very important outputs in the achievement of the objectives of the COA's 2000 Reform Program, specifically the objective of enhancing public accountability and a more efficient Philippine public sector through the implementation of better and best practices in public administration. The guides will seek to belie the view that COA auditors are "watchdogs" who just look for "mistakes" in the agencies they audit. Rather, the guides will help ensure and instill in the minds of auditors and the public that COA auditors are indeed "guardian angels" and partners in nation building. It is generally easy to be critical and, although COA may deliver some hard truths at times, it is incumbent on it to make constructive contributions to the improvement of public administration as resources and circumstances allow.

The development of better and best practices guides will afford COA auditors the opportunity to offer meaningful advisory services to government entities by using the

guides as a review tool and document in formulating the necessary recommendations. As the guides will contain benchmarking studies of better practices of other Supreme Audit Institutions as well as private auditing firms and public sector organizations, the guides will offer an opportunity to both the Auditors and the auditees to learn from others as well as provide a means for measuring and comparing their performance. The better practice guides will facilitate sharing of knowledge within the broader Philippine public sector and thereby contribute significantly to the achievement of COA's identified objective of enhancing governance and public accountability.

The better and best practices guides and other similar publications like manuals and models or frameworks will become increasingly important documents for managers operating in an environment of devolved authority and responsibility, including the COA. These documents will especially become valuable even to small agencies, which have always found it difficult, due to their size and resource endowment, to develop and maintain in-house expertise on the wide range of public sector management issues and consequently have tended to rely heavily on detailed legislative and policy frameworks and guidance from their central agencies.

***Relationship and role of other government agencies.*** I would hasten to add that COA would not supplant the role of central agencies as a business strategy. In the development of the guides, however, COA will work with interested agencies, in order to attain the best-desired practical guides possible. For example, it can work with the Department of Budget and Management, the Department of Finance and the Bureau of Treasury in developing a guide outlining the principles of performance information and reporting; with the Civil Service Commission, Department of Tourism, Home Development Mutual Fund and a representative school and hospital in producing a guide and tool kit on Quality Customer Service aimed at the broad public sector as providing assistance in the implementation of client-focused operations; and with the Government Insurance System, Social Security System and government- owned or controlled banks in the formulation of a guide on managing risks in an ever-changing environment.

***Filling the gap.*** Likewise, we should recognize that in a devolved environment, and with the significant vacation of the traditional monitoring, reviewing and oversighting roles by central agencies, gaps have emerged in the information available to senior management to assist them in making sound and informed decisions. Given the COA's across-the-service perspective, it is placed well to provide tools that departments can use to help fill those gaps as part of its contribution to improving public administration.

For example, Philippine legislators have recently expressed concerns about the effectiveness of accountability arrangements in regard to issues such as privatization, mergers, purchasing, outsourcing and contract management. Such concerns, which are often about compliance or assurance matters, will influence not only the kinds of audits that COA will undertake in the future, but also the nature and direction of the subject matter and content of the better and best practices guides.

## IV - Methodology

**Options definition and cost-benefit analysis.** The approach to be used for this project is closely tied to sound management principles. It will stress the importance of carrying out a comprehensive options definition, evaluation and cost-benefit analysis to ensure that the guides are based on a realistic and sound footing, which is cost effective, achievable and will provide value to the Filipino taxpayer.

**Definition of existing government practices.** Filipinos want better quality services from all levels of government. For instance, they want friendly, respectful, courteous service; faster response times; extended hours at government offices; and “one-stop shopping.” At the same time, Filipinos are demanding that governments reduce deficits and get value for the money they spend, so that governments and all parts of society can support Philippine competitiveness in a global marketplace. These demands are not new, but as Filipinos have become increasingly critical of the government, the pressure for change had increased.

Within the government, departments are doing much to address these demands. However, departments and the government as a whole, must now use meager and dwindling resources to provide Filipinos with high-quality services that are relevant, responsive, accessible and affordable.

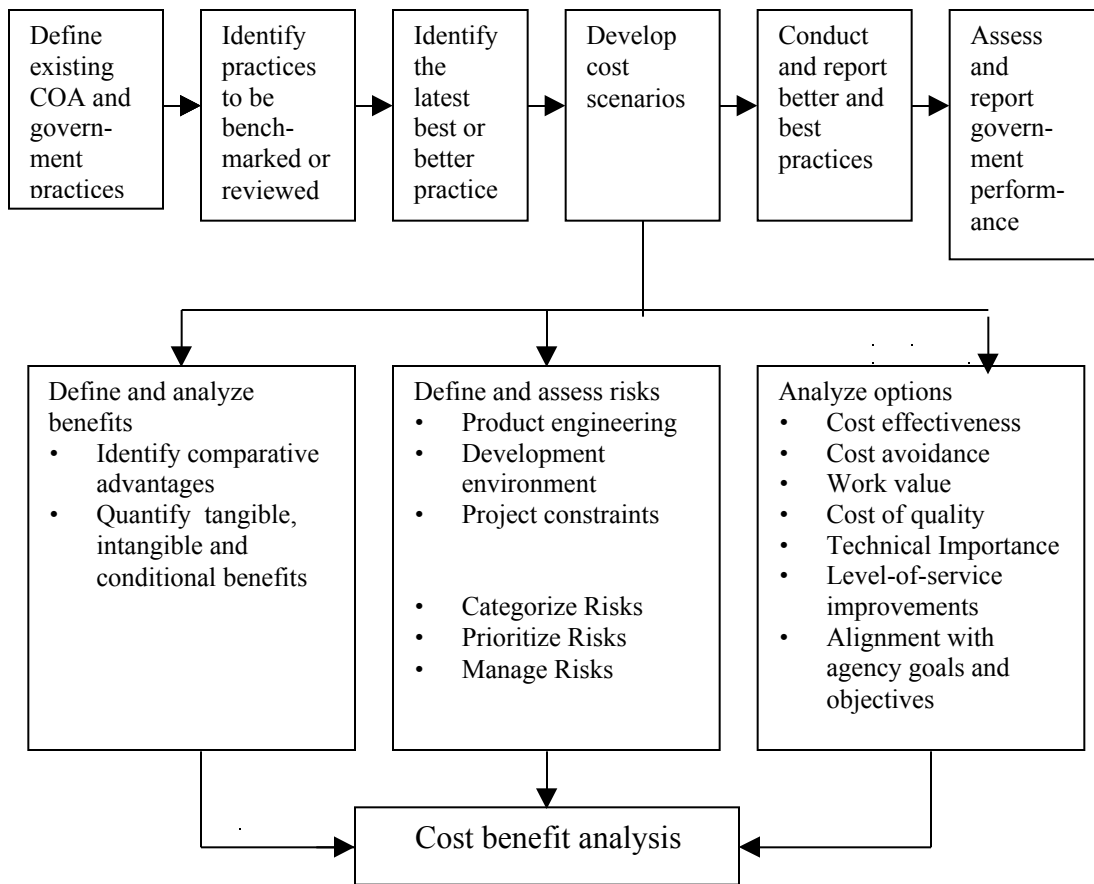
**Identification and development of better and best practices.** One means of improving the quality of services is through the identification and adoption of better and best practices across governments. Better and best practices are one option for organizations to measure and compare their effectiveness and the level of service they are providing to internal and external clients.

The challenge of this project is to build on these practices by creating and publishing specific better and best practices guides. The guides will help COA and other departments render a quality approach to government management. These guides will be built on better and best practices and lessons learned in other levels of government and similar organizations, both public and private. Continuous improvement, a cornerstone of quality, will apply to the guides. To keep the guides as current as possible, the project will intend to update them periodically, based on lessons learned from work in progress or now in the planning stage. Continuous research will be an important aspect of the project. The Internet, library CD-ROMs, e-mail, books and periodicals, and resources from peers will be some of the key tools that will be used to identify better and best practices. E-mail discussion lists will aim at documenting and gathering evidence about better and best practices worldwide. Consulting with organizations, particularly those to which COA has links, will also be carried out. Responses from these organizations will be important inputs in formulating the guides. Surveys of the area or areas planned for guide development will be made on auditors to entice them to suggest ways to improve systems and processes in place through the adoption of better and best practices. Finally, other government departments, through resident auditors, will also be invited to state their needs and suggestions to improve the various processes that impact their activities.

**Study of better and best practices.** Prior to developing the guides, a better and best practices study to systematically evaluate work processes will prove helpful. Such studies often have excellent templates to work from. Information could also be gathered via a questionnaire and interview. Organizations that have achieved efficiencies or implemented innovative processes could be interviewed to verify findings and gather facts about their success stories.

**Learning through sharing.** Networking and learning from the experiences of others can alleviate the frustration that often arises when people feel they are re-inventing the wheel. Work site groups could be created to establish a best practices exchange for collecting and publicizing examples of practices that worked (and that did not work) within the organization, in other levels of government and in the private sector. These work site groups may wish to invite management and employee organization's representatives from areas where joint initiatives exist to discuss their experiences and the lessons they learned. Existing quality service networks at the municipal, provincial or regional levels can also be useful places for sharing best practices before eventually incorporating them in the guides.

**The methodology framework.** Shown below is the proposed framework for the better and best practices guides methodology:



From this framework, the following activities need to be done:

- 1) Develop templates and conceptual designs of the guides
- 2) Prepare draft of the proposed better and best practices guides
- 3) Review drafts by the Change Management team
- 4) Secure feedback on the guides under development from COA senior officials, auditors and other concerned government officials and employees
- 5) Revise and finalize the guides
- 6) Approve the guides
- 7) Monitor and assess the performance of government departments against the criteria

## **V - Time, Resources Required**

The identification of best practices is classified as a medium-term reform implementation strategy in the COA Reform Program. The specific project activity has a time frame of more than one year but not more than four years. For proper synchronization, this time frame will likewise be followed in the development of the better and best practices guides. However, depending on the availability of resources and considering the number of possible better and best practices guides that will be developed, the project could be completed in less than four years or continue beyond the time period set.

The project will commence in late 2000 and the first year (2000-2001) will focus on key strategic planning activities, including:

- project planning and conceptual design activities;
- definition and analysis of strategic options; and
- creation of a four-year strategic plan.

The planning and design activities in year 2000-2001 will be on a high-level primarily to lay the foundation for the development activities to commence in 2001-2002. Key design components will be identified for the development of the guides through high level scoping, leading to more detailed planning and design culminating in early 2001.

The development project of the guides, which is intended to be undertaken in-house, without or with the assistance of consultants, will be co-ordinated with the COA Change Management Team and Change Management Support Unit and will likewise possibly make use of the available resources therein.

## **VI - Reporting Intentions**

Progress made on the project will be reported to the COA and the CCAF. It is proposed that a semestral reporting format for benefits realization results with an emphasis on anecdotal reporting should follow the project. The report would contain the following:

- key accomplishments to date as per action plan;
- outlook on activities to be accomplished in the next reporting period; and
- financial results for the activities undertaken (actual vs. budget).

In addition to the benefits realization and progress report, it is intended that details of the survey results mentioned earlier will form part of a separate best practices report.

## VII - Implementation Strategy

To implement the project, the following activities need to be undertaken:

### I - Prepare a business case

To increase the likelihood of success of this project, a business case will be developed. The business case would be a comprehensive and multi-purpose communication tool to help gain the support and participation needed to make the project happen. The business case will be built from this strategy paper and will include:

- a brief compelling, **problem and consequences statement** developed from true stories in government organizations, including COA;
- a **mission statement** or vision of the future that addresses the problem. This will illustrate what will improve in the Philippine bureaucracy once the problem no longer exists;
- a description of the **specific objectives** of the development project, including an identification of the project's key aims, stated briefly in plain language and elaborated as needed to explain them;
- a description and rationale for the preferred **approach or methodology**. This will tell how the project will solve the problem identified earlier and include desired end products, participants, effect on stakeholders, strategies and necessary changes;
- a set of **alternative approaches** and how they would or would not work. This will detail other alternatives, as well as ideas that were considered and discarded;
- a statement of the project's **benefits** that will address concerns of relevant stakeholders;

- **measures that will demonstrate progress toward objectives.** Ways for stakeholders to assess the project and track the necessary improvements will be developed;
- a statement of the likely **risks** of the initiative and how they will be addressed. The approach to reducing the identified risks or at least take them into account will be explained;
- a **basic plan of work with a timeline and key milestones.** The plan will describe the infrastructure, funds, staff, time constraints, and other changes required for the project to succeed;
- a **project management plan** with the names and roles of key managers. The qualifications and responsibilities of important personnel for the project will be outlined;
- **cost estimates and potential source of funding.** The estimated cost of the project, how and from where it is going to be paid will be stated; and
- possible **opposing arguments and responses** to them

II - Present and discuss the project and the business case to the COA Chairman and then to the Change Management Team and other top COA officials and senior management.

Senior management must be the driving force behind the project's implementation. It is thus important that senior management's acceptance of and support for the project be established at the outset. The purposes of the discussion and presentation would be to:

- explain the importance and benefits of the undertaking, especially in the implementation of the EnPAP and COA Reform 2000 Programs;
- explain the perceived risks facing the project like funding and resourcing and thereby gain funding and resourcing support from senior management;
- obtain the comments, reactions and feedback on the proposed development initiative; and
- obtain the mandate to proceed with the project, including the possibility of creating a Better and Best Practices Guides Development Committee that will undertake the actual development of the guides.

The presentation would include a discussion of the Financial Management Capability Model developed by OAG Canada and how to build the better and best practices from among the key process areas in the model, in addition to those areas, topics or best practices identified by the Change Management Team.

## VIII - CONCLUSION

The development and adoption of better and best practices guides will further facilitate the ability of COA and of the Philippine government as a whole to deliver better services to its stakeholders as well as enhance accountability and improve public management and audits.

Risks currently perceived to face the implementation of the project are the following:

- 1) **Funding.** Costs will be incurred in the implementation of the project. A business case is being prepared to gain funding support. Without this funding commitment, the project cannot proceed.
- 2) **Resourcing.** COA lacks practitioners to undertake the project implementation. Consultants may need to be hired for the project.
- 3) **Potential lack of consensus.** Opinions may vary on the level of better and best practices within COA and among departments or organizations.

An offshoot of these risks would be the risk of not meeting the project implementation deadlines.

A primary performance indicator of this project would be the number and quality of better and best practices guides successfully completed, shared and used by the government and the change in management practices as a result of implementing the better and best practices.

Some possible next steps after completion of this development initiative are:

- a) dissemination of better and best practices guides in a timely, accessible, user-friendly and efficient manner, either through print or electronic media.
- b) continuous user consultations as a means to improve the guides.
- c) building best practices into training opportunities.
- d) assessing the implementation of better and best practices, continuously updating and improving them and sustaining their use.