

An interview with the audit chief

WHAT is the biggest problem facing the Commission on Audit?

It is the matter of our image. For example, a few months ago one of the most go-ahead agencies of government denounced our auditor who was detailed there as counter-progressive. Three hundred in that agency drew up a protest petition against him, but before they could submit it the auditor happened to get axed in the purge. That removed one pioneer, but there are other similar ones. In this case, the man belonged to the old school and he was auditing an office of highly-degreed specialized people. With the combination of obsolete auditing rules, an old man, and a very progressive office, it was not really surprising he was called counter-progressive. On the broader scene, we cannot deny that several auditing people really have gone wrong. Some have taken advantage of their office to delay papers so they can solicit certain percentages of payments. Some were just downright dishonest. Many have been purged and I trust that the purge is not yet over.

How can you overcome this image problem?

We started by looking into our personnel and organizational structures. We have almost 10,000 staff by about 700 offices. We started to try to find out exactly how many people we had. The staff lineup reads like a comedy. While not denying anyone's personal merits, one sees high auditing positions held by dentists, mass graduates, educationalists, literature specialists. Usually a man is an exception when he is high in the field of his own specialty, but here it became almost a norm. Not one half of the provincial auditors can read a trial balance. The first question of many new auditors has been: "Up to what limit can I sign checks?" Personally I still cannot see why auditors are signing checks in government agencies. It seems to me that is a management rather than audit function.

Why does the staffing structure seem so inappropriate?

In the past, the first consideration in promotion was to protect the incumbent. It is only now that outsiders have started coming in to top positions. I was the first of them, although I must admit I am essentially a lawyer. In the past no premium was given to qualified people. If a CPA joined, he would take his place at the end of the promotions queue. An opening would go to the next in line. The CPA took his turn. Now we're suffering the ill effects of the padrino system and the erroneous application of the Civil Service Laws. Where the rules specified such-and-such eligibility for a certain job, correct eligibility was not necessarily correct. A man with correct educational background. As a general rule, if you put a poor CPA against a good pharmacist in an auditing job, the CPA is still likely to be ahead. Together with poor salary scales there was the additional drawback of no particular advancement opportunities for well-qualified people. In the past, we were not complete anyway, say, the Central Bank or private business. Of our 132 senior auditors, only 13 (9.85 percent) are CPAs, 14 (slightly over 10 percent) are members of the bar. Twenty one percent have no degrees, while 15 percent are qualified educationalists. Overall, only 5.87 percent of Manila-based employees of the Commission are CPAs. On a nationwide basis, only two or three percent of the Commission on Audit staff are CPAs. New pay scales promulgated by the President this month are very heartening, however. We were also heartened to get over 150 applications immediately after releasing a call for CPAs. Maybe the Commission's image is not so bad after all.



FRANCISCO S. TANTICO, new acting chairman of the Commission on Audit, was appointed a Judge of the CFI in Cebu City in 1968 and became a Justice of the Court of Appeals in 1973. He has authored books on taxation and on the history of his home province of Leyte.

WHAT other organizational reforms do you plan?

Aside from professionalizing our staff and creating appropriate training programs, we must update our laws and regulations. Once we codify them, and if we get Presidential approval, we expect to manualize them. One manual would cover government banks, another the government universities, another for provincial auditors, and so on. In the process we will be updating all these rules that appear in a vast array of old circulars etc. In the past the regulations have been too control-oriented. This has laid auditors open to accusations of impeding the flow of work. Because of too much control, agencies blame our office for snail ups. In addition to professionalizing and manualizing, we are pressing ahead with regionalization to get closer to the people. We have to establish regional directors because there is great lack of coordination in the field. Whether or not we have the facilities or funds, we must go ahead with these regional offices.

Are there short-term remedies for any of these snail ups?

Sometimes it's hard to find remedies for human weaknesses, but we have taken some stop-gap measures. We are currently placing bright red posters in government offices quoting President Marcos at the Management Council of the Philippines last month: "If there are any auditors found to obstruct payment to suppliers of the government, in order to create a leverage for self-aggrandizement, such auditors must be reported immediately to the Chairman of the Commission on Audit or to the Office of the President." Our phone number is 99-99-66. I also instructed auditors not to hold vouchers for longer than 24 hours. From the time the auditor receives the requisition, he should count 24 hours straight—and in that time approve, disapprove or attach a memo to the vouchers stating why action cannot be taken. Then the supplier and the office concerned immediately know the result. Some who are lazy, or are out to make it difficult, have sometimes laid vouchers lie idle for months in the most instances.

Might some of the auditing functions undergo change?

Yes, particularly those that seem to belong more to management than to

responsibility as we phase out from this activity. Under existing laws, management of government agencies and bureaus is supposed to establish internal audits responsible only to the management people, not to our Commission auditors. This is consistent with the principle that fiscal responsibility is primarily management responsibility. But experience shows that very few government offices, agencies or corporations have established internal audit, despite the fact that there is a 10-year-old law requiring it.

WHAT do you think are the reasons they have not done so?

I would say that a tendency of many managers is to make the Commission's auditors fully responsible for financial audits. Even in discussions on the virtues of pre-audit and post-audit, many government offices prefer pre-audit because they are not willing to assume responsibility. Some offices want to throw everything on the auditor. And then I was told that many executive officers were under the wrong impression that the internal audit unit would be under the Commission on Audit. They thought we were expanding our domain by asking that internal audit units be established. But this is not so. Internal auditing units are staff offices of management.

How objectively detached are your auditors from the offices where they are assigned?

Our Commission on Audit is one of the strongest government audit bodies in the world because it is an independent constitutional body. In some governments, the auditing office is only a government bureau. Our Constitution has provided for a very strong Commission. Nonetheless there are compromising situations. Over long periods, some government auditors develop closer attachments to their place of work than they do to us. Moreover, in greater Manila many audit offices have more casuals hired by management than they have regular auditing personnel of the Commission. But we have to put up with this compromising position because budget restraints mean we cannot appoint additional personnel and it is humanly impossible for our existing force to cope with the work. Additionally, we have a very awkward set-up with the government corporations who actually pay the salaries of our auditors.

Do you foresee a move away from pre-audit to towards more post-audit emphasis?

The practice in many progressive countries is not to pre-audit. Many of them do not even have resident auditors in government offices like we do. All they have are roving auditors who make surprise audits. But in our present state of management quality this would be asking for the moon. We probably need many years to reach this point. It is already 90 per cent agreed among us here in the Commission that we should withdraw more and more from the pre-audit function. A lot depends on how the auditing is done. Up to now the concentration has been on the control of overpricing and oversupply. These are only matters of expenditure audit. Even our own people misunderstand their function. They confine themselves to expenditure audit, not to performance audit. They do not concentrate on the management of money, on whether the money is efficiently used. There should also be more revenue audit. Is the government collecting all the money it should be getting from fees, licenses, taxes etc?

In what areas could you start relaxing the pre-audit function?

The first field I would withdraw would be regular payrolls and regular expenses incurred. But we would have to do this in stages. Aside from just withdrawing, we would have to find out whether management will put in more

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Are your men appointed by the corporations?

No, the corporation appoints them but in most cases there is a proviso that the appointments are subject to approval by the corporation's board and this practically negates the appointing power of the Commission. This is especially true when one considers that it is the corporation being audited that pays their salaries. Yet these auditors are technical members of the Commission. At present we're looking into an integrated approach to hiring and paying Commission personnel. Perhaps something could be devised along commercial audit lines, where the agency or corporation pays audit fees to the Commission which, in turn, pays its own auditors fully—meaning they do not get paid anything directly by the body they are assigned to audit.

WHAT is your ideal for the audit role?

This is provided for by the Constitution. In practice, I would say the ideal set-up would be the least amount of pre-audit, a very efficient program of surprise visits or surprise audits, plus a very strong and consummate post-audit systems. This could take years to achieve but I hope it can come within my term. □