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Chairperson of the  
Commission on Audit

Manila / Philippines

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Our date: Our reference:  
07 January 2022 20/413010

Your date: Your reference:  
File No: 413010

### **Quality Assurance Review Report of ISSAI based Cooperative Performance Audits on Preparedness for Implementation of SDGs**

Dear Mr. Michael G. Aguinaldo,

With the purpose of supporting ISSAI implementation, IDI had supported SAIs in conducting an ISSAI based cooperative performance audit on preparedness for implementation of SDGs. The objective of this cooperative audit was SAIs conduct high level ISSAI compliant performance audits on preparedness for implementation of SDGs. Seventy three SAIs and a subnational audit office participated in this cooperative audit.

Based on agreed commitments between the IDI and participating SAIs, we facilitated Quality Assurance (QA) reviews of audits completed and reports issued. The main objective of the QA review was to assess whether the audit engagement was conducted in compliance with all the relevant performance audit ISSAIs requirements. The quality assurance reviews were conducted from October 2019 to February 2020 by independent quality assurance reviewers. The independent reviewers conducted the QA review and prepared a report based on the desk review of audit files and further discussion with the audit engagement supervisor and audit team, during a visit to your SAI.


Please find attached the QA review report for SAI Philippines. The report identifies both, areas where the audit complied with relevant ISSAIs and areas where more work needs to be done in order to fully comply with ISSAIs. I hope the report will be useful. I encourage you to consider the conclusions of this report for further strengthening SAI Philippines' journey towards ISSAI compliance.

As agreed in the ToR, your SAI owns the QA report. The IDI will not share this report with other stakeholders without the permission of your SAI. The IDI may use aggregated or anonymised information from the report for the purpose of reporting on the cooperative audit results. In the interest of transparency and accountability, we encourage your SAI to make this report publicly available.

We also request you to kindly keep us informed about your SAI planned actions on the recommendations of this report to ensure audit quality and move towards full compliance with performance audit ISSAIs.

I look forward to our continued good cooperation.

Yours sincerely,



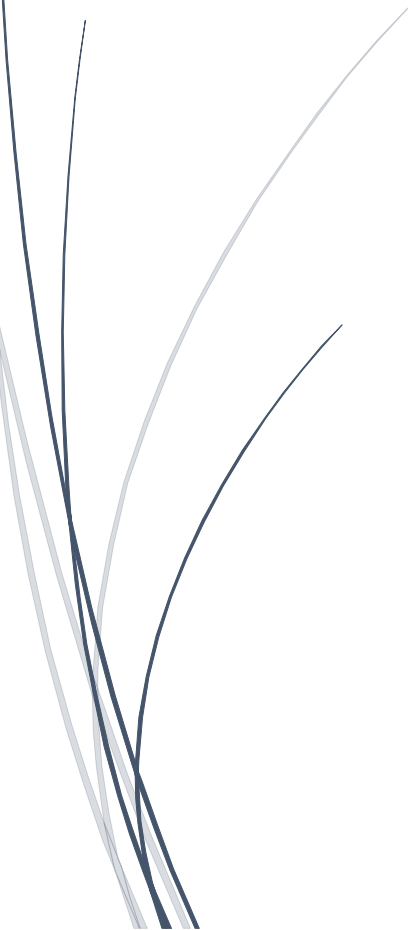
**Einar Gørrissen**  
Director General

Encl: Quality Assurance Review Report of ISSAI based Cooperative Performance Audit on Preparedness for Implementation of SDGs – SAI Philippines



# **Quality Assurance Review Report of the Audit of Preparedness for Implementation of the Sustainable Development Goals**

**Commission on Audit – Republic of the Philippines**



May 2020

## Title Sheet

Audit Profile		
<b>Name of Audit</b>	Audit of preparedness for implementation of Sustainable Development Goals	
<b>Audit Team Commission on Audit – Republic of the Philippines</b>	<b>Audit Supervisor:</b> Ms. Ma. Corazon S Gomez	
	<b>Team Leader:</b> Mr. Michael L. Racelis	
	<b>Team Members:</b>	Ms. Sofia C. Gemora
		Ms. Ruby L. Caballes
QA Review Profile		
<b>Duration of QA Review</b>	November – December 2019	
<b>QA Reviewer</b>	Kusumaningsih Researcher of Research and Development Division SAI Indonesia	
<b>Date of QA Exit Meeting</b>	24 <sup>th</sup> November 2019	
<b>Date of draft QA report shared with SAI for comments</b>	19 <sup>th</sup> March 2020	
<b>Independent Reviewer of QA report</b>	Nino Pruidze Leading Budget Analyst SAI Georgia	

## Table of Contents

I.	OBJECTIVE OF THE QUALITY ASSURANCE REVIEW .....	3
II.	EXECUTIVE SUMMARY .....	3
III.	QA REVIEW METHODOLOGY .....	4
IV.	FINDINGS.....	4
V.	MANAGEMENT RESPONSES.....	9
VI.	RECOMMENDATIONS .....	9
VII.	CONCLUSION.....	9

## **I. OBJECTIVE OF THE QUALITY ASSURANCE REVIEW**

The quality assurance (QA) review is conducted to ascertain whether the Audit Preparedness for Implementation of Sustainable Development Goals (SDGs) of the Republic of the Philippines undertaken by Commission on Audit (COA) was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

## **II. EXECUTIVE SUMMARY**

The cooperative model of the INTOSAI Development Initiative-Knowledge Sharing Committee (IDI-KSC) on the performance audit of preparedness for implementation of SDGs provides for independent quality assurance review of the audit conducted by each Supreme Audit Institution (SAI) participating in the IDI-KSC cooperative audit programme.

This is the report of the quality assurance review (QAR) of the audit of preparedness for implementation of Sustainable Development Goals in Philippines. The general objective of this QAR is to ascertain whether the audit is in accordance with the INTOSAI Standards for Supreme Audit Institutions (ISSAIs).

The review is divided into four parts:

1. Did the SAI adhere to overall requirements for conducting the SDGs Preparedness Audit?
2. Did the SAI plan the SDGs Preparedness Audit as per applicable PA standards?
3. Did the SAI conduct the SDGs Preparedness Audit as per applicable PA standards?
4. Did the SAI report on the SDGs Preparedness Audit as per applicable PA standards?

### **1. Did the SAI adhere to overall requirements for conducting SDG preparedness audit?**

The SAI adhered to overall requirements related to ethics and independence. Standards for assessment of audit engagement team's competency are institutionalised, and the audit team has performed effective and proper communication with audited entities.

The area regarding the audit risk identified by the team can be improved. The team only identified what the risks were, without providing the information regarding the impact if the risk occurred as well as detailed documentation regarding the audit risk and the mitigation strategies.

It is recommended that the SAI ensures that several procedures are done by the team, such as identifying the audit risks including the impact if they occur; developing and implementing mitigation strategies to eschew the occurrence of audit risks; and providing audit risks monitoring and document them in a proper manner.

### **2. Did the SAI plan the SDGs Preparedness Audit as per applicable PA standards?**

The SAI planned the SDGs Preparedness Audit as per applicable PA standards including assurance that the team has sufficient understanding of the subject matter, intended users, and responsible parties. The audit objectives and questions used by the team have been discussed with the supervisor; the working papers were reviewed by the supervisor and contain national considerations, and the audit team has designed procedures to respond to the audit objectives and questions. Further, the audit criteria were communicated appropriately with the audited entities.

### **3. Did the SAI conduct the SDGs Preparedness Audit as per applicable PA standards?**

The SAI conducted the SDGs Preparedness Audit as per applicable PA standards including the consistency of working papers (for example, between the audit findings matrix and the audit design matrix); as well as team's performance in gathering data extensively to support the finding and conclusion.

Although the audit team has performed the audit activities that manifested compliance with the ISSAI on Performance Audit in conducting phase, one area regarding supervision activities can be improved. Not all supervision activities could be traced in terms of the date the supervisory activities were conducted.

It is recommended that the SAI ensures that the team provide clear documentation regarding the supervisory process.

### **4. Did the SAI report the SDGs Preparedness Audit as per applicable PA standards?**

The SAI reported the SDGs Preparedness Audit as per applicable PA standards including giving the opportunity to the audited entities to comment on the draft audit report. The supervisor and audit team has ensured that the recommendations are constructive, and that the audit report was comprehensive, convincing, balanced, timely and reader friendly.

## **III. QA REVIEW METHODOLOGY**

The QA reviewer assessed the audit documentation prior to SAI visit and conducted interviews with the audit team and supervisor during the 3-day visit.

## **IV. FINDINGS**

This Section is divided into four parts: the overall audit requirements or considerations, planning phase, conducting phase, and reporting phase.

### **1. Did the SAI adhere to overall requirements for conducting SDGs Preparedness Audit?**

To assess how overall requirements has been implemented by SAI as per applicable PA standards, this review elaborates on the following issues:

- a. SAI has had the mechanism and policies to ensure the independence and ethical behavior throughout the audit (ISSAI 3000:21-23).

SAI Philippines issued a Revised Code of Conduct and Ethical Standards for its Officials and Employees under COA Resolution No. 2018-010 dated February 01, 2018. It revises its previous policies/issuances to update and remind its COA officials and employees to use conduct beyond reproach at all times and in all circumstances, as any deficiencies in their professional conduct or personal lives might affect their integrity as employees and the quality and validity of their work.

Based on the COA Resolution No. 2018-010, SAI Philippines audit teams avoid any circumstance which would likely impair their objectivity and independent judgement, actions that would tend to weaken their objectivity, or prohibited acts and transactions.

- b. The COA has ensured that audit team had the required competence to perform the audit by institutionalizing the competence in the nomination of the audit team (ISSAI 130, ISSAI 140, and ISSAI 3000:63).

The auditors assigned to conduct the performance audit were given trainings and seminars on performance audit. They also conducted value-for-money audits as part of the annual Audit Reports until COA Resolution No. 2017-012 dated August 17, 2017 was issued.

The audit team for the audit on preparedness for implementation of SDGs was selected based on their experience with performance audits and their participation in IDI/ASOSAI programmes on performance audit.

Reviews on assignment history and interview with the team shows that the audit in COA was carried out by senior auditors with relevant experience and trainings in government auditing. The team also had experience in various international audit-related events. The nomination of the team leader and members was indicated in the Nomination Letter provided to IDI. After being nominated, these personnel participated in an e-learning program facilitated by IDI to ensure the team's competence, not only regarding the subject matter but also performance audit methodology. The team also carried out several discussions before the audit was conducted to improve their understanding on the subject matter, especially in the context of Philippines.

- c. The audit team has performed effective and proper communication with audited entities which facilitated data gathering and the exchange of ideas and view between the audit team, the supervisor and the audited entities (ISSAI 3000:55).

The team has planned and performed communication to the stakeholder throughout the audit. The focal stakeholder of the audit was National Economy Development Authority (NEDA). The audit also took into account several other agencies related to the subject matter, such as Philippines Statistics Authority (PSA) and Department of Interior and Local Government (DILG).

The communication with NEDA, PSA, and DILG regarding the audit started during audit planning. This is shown in the Introduction Letter signed by the Chairperson of COA to the management of the agencies. This communication was aimed to inform the agencies about the purpose of the audit and to request the agencies answer a set of questions to enhance the team's understanding of the status of the government's preparation for the implementation of the SDGs. The letter also informed the agencies regarding COA personnel who were assigned for the audit.

The team also discussed the audit engagement, objective and requests to make the necessary information or document to the audit team for smooth audit process. This was conducted in the meeting with NEDA. Similar materials were also discussed with PSA, DILG, and Philippine Statistical Research and Training Institute (PSRTI). Although the meeting with these agencies was not conducted at the same time, the team still could ensure that communication regarding audit engagement was planned and maintained sufficiently.

- d. The team has identified risks for the audit. However, the team didn't provide information regarding the impact if the risk occurred, as well as documentation regarding the audit risk and the mitigation strategies (ISSAI 3000:68; ISSAI 300:31).



In the audit plan, the team outlined the risk management strategy. It considered the risk of the development of incorrect or incomplete audit findings, conclusions, and recommendations, providing unbalanced information or failing to add value. To mitigate the risks, the team considered whether the audit team had sufficient and appropriate competence to conduct the audit, had adequate access to accurate, reliable and relevant good quality information, had considered any new information that is available, and had considered alternatives perspectives.

Further review on documents and interview with the team showed that the team only identified the risk without providing information regarding the impact if the risk occurred. There is no clear assessment or detailed documentation regarding the audit risk and the mitigation strategies. In other words, the team stated that to mitigate the risk, the team will monitor audit risk and mitigation strategies without describing how the strategies were developed and how the audit risks were monitored. The team considered that the mitigation statement in the audit plan was enough to serve as risk management.

It is recommended that the SAI ensures that the following procedures are done by the team:

- 1) Identify the audit risks including the impact if they occur;
- 2) Asses the level of audit risks (for example: low, medium, and high);
- 3) Develop and implement mitigation strategies to eschew the occurrence of audit risks;
- 4) Provide audit risks monitoring and document them in a proper manner.

## **2. Did the SAI plan the SDGs Preparedness Audit as per applicable PA standards?**

To assess how the planning activities has been conducted as per applicable PA standards, this review elaborate the following issues:

- a. The audit team has sufficient understanding of the subject matter, intended users, and responsible parties (ISSAI 3000:25, 29; ISSAI 300:17-19).

Prior to conducting the audit, briefings were conducted by the key government departments and agencies concerned on the invitation of the Professional and Institutional Development Services (PIDS), COA's training unit, to provide COA officials and auditors with update on the integration of SDGs in the national development plans and government programmes and their preparations to implement the SDGs.

The team conducted a pre-study. In these events, the team had the chance to improve their understanding regarding the subject matter, intended users, and responsible parties. The team also participated in an e-learning activity hosted by IDI where they learnt about the subject matter and the performance audit methodology. This activity also equipped the team with sufficient understanding on subject matter.

The SAI also held focus group discussion or meetings with NEDA as the focal agency which is responsible as the coordinator for SDGs implementation in Philippines. Similar discussions or meetings were also held with PSA as state stakeholder in the endeavour to adapt SDGs into the national context especially regarding data. In this regard, SAI provide survey questions to NEDA and PSA, and request them to indicate which stakeholder is in better position to provide additional information to certain questions. Besides, stakeholders and intended users have been mapped to identify the responsible parties for SDGs implementation. This mapping can be seen in the stakeholder mapping matrix and ADM.

- b. The audit objectives and questions used by the team are pre-determined in the IDI e-learning and have been discussed with the supervisor (ISSAI 3000:35; ISSAI 300:25).

The working papers show that there was discussion between the team and the supervisor regarding the audit objectives and question. There was also an approval process from the management for the audit objectives and questions which are stated in the audit plan. Corrections can be found in the documentation of the audit planned in hardcopy and softcopy, including correspondence through email.

- c. The audit team has developed an Audit Design Matrix (ADM) which was reviewed by the supervisor. The ADM contains national considerations which still in line with the IDI audit guidance.

Review on the ADM and the other working papers shows that the ADM provided by the team had covered all audit objectives as predefined by IDI. Further review indicated that the team has cascaded these objectives into audit questions. The ADM had been reviewed by the supervisor as part of audit plan review process. The ADM was also reviewed by mentors and IDI experts.

- d. The audit team has designed procedures to respond to the audit objectives and questions. The procedures were written in the audit program document reviewed by the supervisor. Audit objectives and audit questions have been translated appropriately in the data collection and analysis method in the ADM which is included in the final audit plan (ISSAI 3000:36).

The review on the ADM showed that the team has broken down the audit objectives and questions. The team has also translated the audit questions into the actions needed to answer the audit questions. This ADM was prepared appropriately and also contained the other components in answering the audit questions such as source of criteria, data collection and analysis procedures, and the limitation regarding each audit question.

- e. The audit team has discussed the audit criteria appropriately with the audited entities (ISSAI 3000:49; ISSAI 300:27).

The review on the working paper and interview with the team indicated that the criteria has been discussed to the audit entities appropriately through the entrance meeting. The team explained that the criteria referred was from the IDI Guideline.

### **3. Did the SAI conduct the SDGs Preparedness Audit as per applicable PA standards?**

To assess how the planning activities has been conducted as per applicable PA standards, this review elaborate the following issues:

- a. The audit team has presented findings, which are consistent with the audit objective and questions (ISSAI 3000:112; ISSAI 300:38).

Review on ADM and AFM indicated that the findings were consistently established following the design which was stated in the ADM. Further review on the audit report indicated that the findings in audit report were also based on the finding matrix. The process of generating the findings and presentation in the matrices and report were recorded in team's audit working plan.

- b. The audit team has performed extensive gathering of data and information that supported the audit findings and conclusion (ISSAI 3000:106; 112).

The review on audit working papers and report indicated that the findings and conclusion were sufficiently and appropriately supported by evidence. The team managed the evidence for the findings in hard and softcopy with sufficiently clear reference. The evidence includes documents provided by audited agencies, survey answers, and case analysis result. The evidence shows that the audit team also collected information from CSOs, academic institutions, media, and business consortia.

- c. Supervision activities were in place to ensure that the findings and conclusions answered the audit objectives (ISSAI 3000:112; ISSAI 300:38).

The correspondence for supervisory activities were conducted in two ways: through email (soft copy) and hard copy. Supervision was carried out on the draft of the audit findings, conclusion, and report, by the team handing the draft to the supervisor, and the supervisor providing feedback or corrections.

#### **4. Did the SAI report the SDGs Preparedness Audit as per applicable PA standards?**

- a. The audit team has given to the audited entity the opportunity to comment on the draft audit report (ISSAI 3000:129).

The audited entities had the opportunity to comment on the draft audit report. This can be seen in the audit report which contains the comments from the audited entities on findings related to each audit objective:

- 1) Implementation roadmap of SDGs at the national level.
- 2) Financing for SDGs.
- 3) Performance indicators, baseline data, and year-wise targets.

Besides the audit report, the working papers also showed that the team gave opportunity to audited entities to give comments on the audit report.

The comments received from the audited entities were analysed by the team and the analyses were presented in the report. To promote balanced reporting, all comments received were evaluated and incorporated in the report, where appropriate.

- b. The supervisor and audit team has ensured that the recommendations are constructive (ISSAI 3000:126).

Recommendations for the audited entities were presented in the audit report as a result of consultation with the supervisor. This consultation took place to ensure that the recommendations were presented appropriately for the findings, which means that the recommendations are constructive and added value to the government. The consultation also took place to consider which agency should be responsible for each recommendation.

- c. The supervisor and the audit team ensured that the audit report was comprehensive, convincing, balanced, timely and reader friendly (ISSAI 3000:116).

Review on audit report and team's working papers indicated that the team presented a comprehensive report which covers all audit objectives predefined by IDI and consisted of elements needed in a performance audit report. The presentation of both positive and negative findings has made the report balanced.

The audit report was presented with convincing evidence in the form of hardcopy documents, electronic files, interviews/discussion/meeting report, documents provided by the audit entities, etc. Review on the audit report also showed that the report was presented clearly using easy-to-understand language for the reader and was presented in a timely manner.

## **V. MANAGEMENT RESPONSES**

Having the findings presented by the reviewer, COA provided responses stating that COA agreed with the findings. COA also took notes of the recommendations in the draft of Quality Assurance Review Report to improve its audit risk management. Regarding independence and ethical behaviour throughout the audit, in addition to the existing mechanism and policies, auditors are assigned to execute "Auditor's Declaration of Independence and Compliance with Ethical Standards" before commencing the development of the audit.

## **VI. RECOMMENDATIONS**

Based on the review, we recommend that the COA:

- a) ensures that, besides risk identification, risk mitigation strategies are prepared and documented;
- b) ensures that the team provides clear documentation regarding the supervisory process.

## **VII. CONCLUSION**

In conclusion, the Quality Assurance Review on the performance audit on preparedness for implementation of SDGs in the Philippines shows the followings:

### **A. Overall Requirements**

The audit adhered to overall requirements related to ethics and independence and team's competency. However, the SAI needs to improve procedures related to risk assessment.

### **B. Planning Phase**

The SAI team planned the audit as per applicable requirements related to: assurance that the team has sufficient understanding of the subject matter, intended users, and responsible parties; the audit objectives and questions used by the team have been discussed with the supervisor. The team also prepared working papers which were reviewed by the supervisor and contain national considerations; has designed procedures to respond to the audit objectives and questions; and the audit criteria has been discussed appropriately with the audited entities.

### **C. Conducting Phase**

The SAI team conducted the audit as per applicable requirements related to the presentation of findings which are consistent with the audit objectives and questions; as well as team's performance in gathering data to support the findings and conclusions. However, the SAI team needs to improve documentation regarding the supervisory process.

### **D. Reporting Phase**

The audit report is presented as per applicable PA standards. This includes opportunity given to the audited entities to comment on the draft audit report; the supervisor and audit team have ensured that the recommendations are constructive; and the supervisor and the audit team have ensured that the audit report was comprehensive, convincing, balanced, timely and reader friendly.