

# Corruption Risks and Anti-Corruption Strategies in Climate Financing

*“Auditing in the context of the Philippines: Citizens Participatory Audit of Solid Waste Management”*

Heidi L. Mendoza  
Commission on Audit



# ASOSAI Guideline-17

- The auditor should:
  - assess the risk that fraud may cause the financial statements to contain material misstatement or record material irregular transactions
  - keep in view that the risk of fraud and corruption could be higher in certain areas





**Types of Risks  
related to  
Climate Finance**

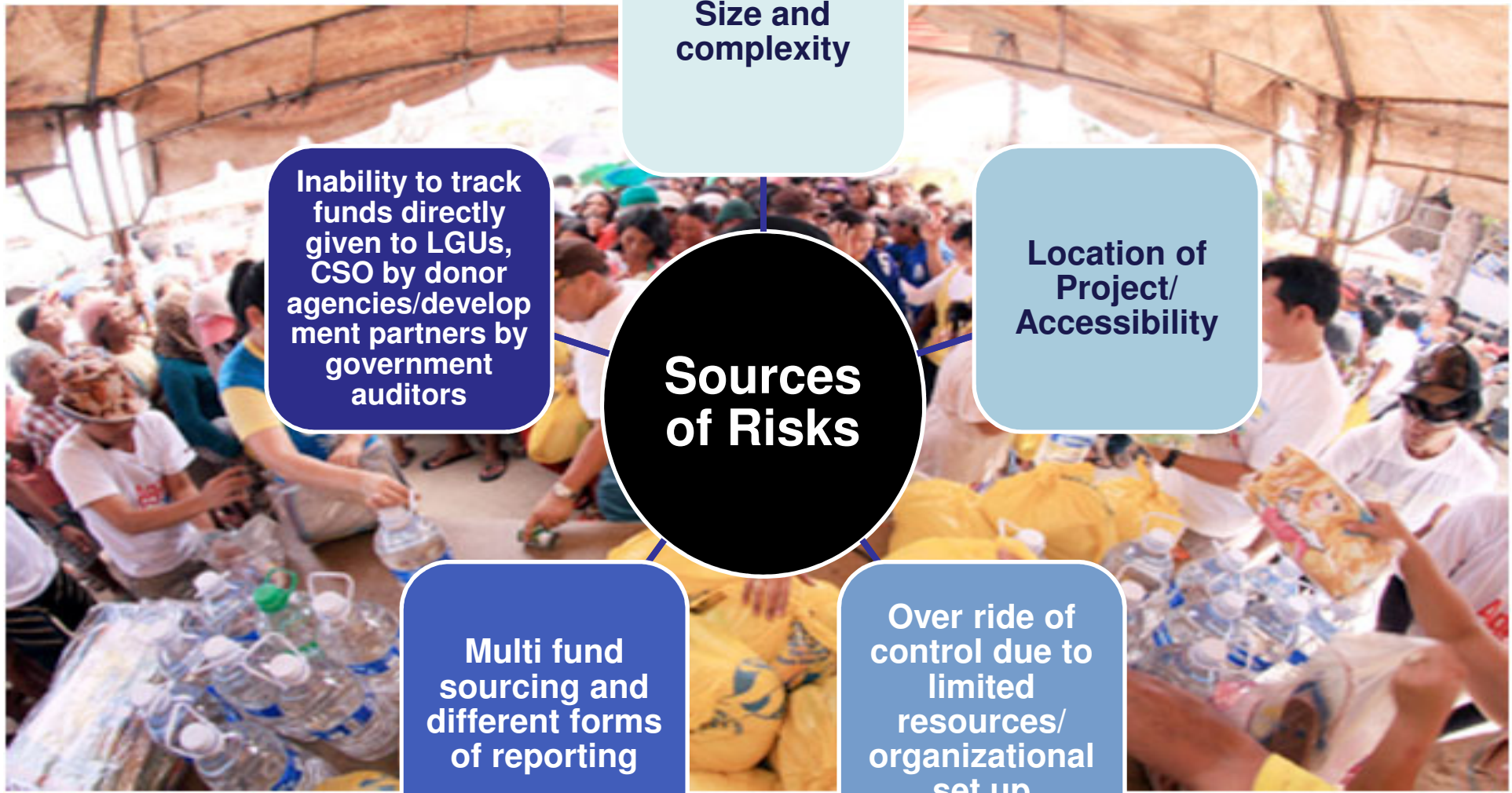
**Double  
dipping**

**Duplication**

**Audit  
detection  
risks**

**Ghost  
projects**

**Redundancy**



**Size and complexity**

**Inability to track funds directly given to LGUs, CSO by donor agencies/development partners by government auditors**

**Location of Project/  
Accessibility**

**Sources of Risks**

**Multi fund sourcing and different forms of reporting**

**Over ride of control due to limited resources/  
organizational set up**

# Corruption risks and mitigating approaches in climate finance

We want to improve understanding of how fraud and corruption can pose a threat to the effectiveness and reputation of our climate finance mechanisms, and how these risks can be mitigated:

1. State of research on corruption risks in climate finance
2. Emerging good practice for mitigating corruption risks in climate finance

Anti-Corruption Resource Center, 2014. *Corruption Risks and Mitigating Approaches in Climate Finance*

# State of research on corruption risks in climate finance

## Factors affecting corruption risks in climate finance

- Scale and nature of climate finance
  1. Huge money flows
  2. Pressure to disburse
  3. Fragmentation of climate finance
  4. Largely undefined concept of climate funding
  5. Specific risks associated with various spending mechanisms

Anti-Corruption Resource Center, 2014. *Corruption Risks and Mitigating Approaches in Climate Finance*

# Corruption risk in climate finance and programming

- *Lobbying, state and policy capture*
- Bribery, clientelism and cronyism
  - Adaptation planning and implementation
    1. Bribery, nepotism and clientelism resulting in plans favouring specific interest groups rather than areas of greatest need, such as landowners seeking priority for particular regions;

Anti-Corruption Resource Center, 2014. *Corruption Risks and Mitigating Approaches in Climate Finance*

# State of research on corruption risks in climate finance

2. Rent-seeking and abuse of discretion in the implementation of funds, giving priority to infrastructure projects with greater opportunities for bribery;
3. Fraud and collusion to ensure favourable treatment, such as provision of inaccurate or incomplete information by industry groups to ensure the adoption of specific technologies, funding of research to support specific approaches and methods, etc.;

Anti-Corruption Resource Center, 2014. *Corruption Risks and Mitigating Approaches in Climate Finance*



# State of research on corruption risks in climate finance

4. Corruption in procurement processes of large infrastructure projects, which typically involve many sub-contractors, and are highly complex and technical, making procurement processes easy to manipulate through bribery, collusion between industry stakeholders, kickbacks in the management of contracts, etc;
5. Appointments of staff managing and implementing adaptation projects, such as members of supervisory boards and committees managing resources, may also be vulnerable to nepotism, patronage and clientelism, and “selling” positions with high rent-seeking potential;
6. Petty bribery: there are also many opportunities for petty bribery in the delivery of essential services such as water, food and health services to local communities.

Anti-Corruption Resource Center, 2014. *Corruption Risks and Mitigating Approaches in Climate Finance*

# Emerging good practice for mitigating corruption risks in climate finance

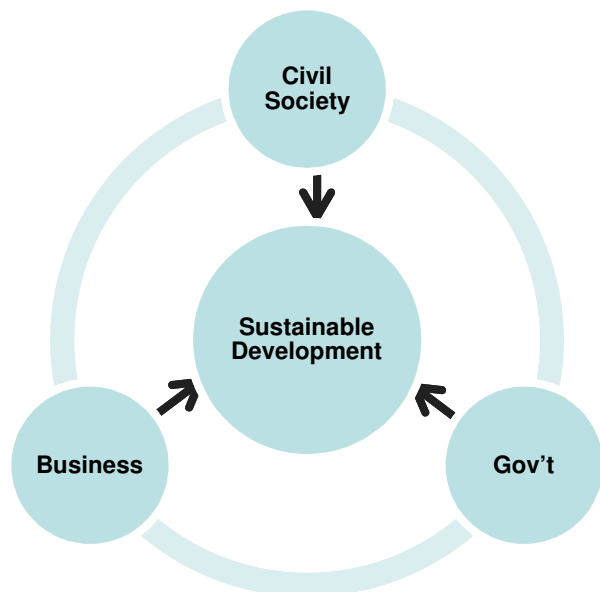
- Regulating and monitoring lobbying practices
- Assessing governance and anticorruption management systems of the various finance mechanisms
- Ensuring transparency in flows of funding for mitigation and adaptation
- Ensuring ownership, transparency and participation in climate finance decision-making processes

Anti-Corruption Resource Center, 2014. *Corruption Risks and Mitigating Approaches in Climate Finance*

***“Auditing in the  
context of the  
Philippines:  
Citizens  
Participatory Audit  
of Solid Waste  
Management”***



# The Role of Public Audit



The **public audit** process is an important part of the compact between **citizens and the state** to ensure government programs are effectively and efficiently implemented and **corruption and misuse are minimized.**

# Knowing When

- Aquino administration's Open Government Partnership 2012 Action Plan
- Adoption of the Participatory Approach in COA
- Increasing demand towards citizen participation

# And How to Engage

- Citizens' buy in and consultation meetings
- Joint capacity building
- Shared agenda towards constructive engagement

# Citizen Participatory Audit

## Citizen Participation in the Philippine Constitution

The State shall encourage non-governmental, community-based or sectoral organizations that promote the welfare of the nation.

Article II, Section 23,  
Declaration of Principles and State Policies

# Citizen Participatory Audit

## What is CPA?

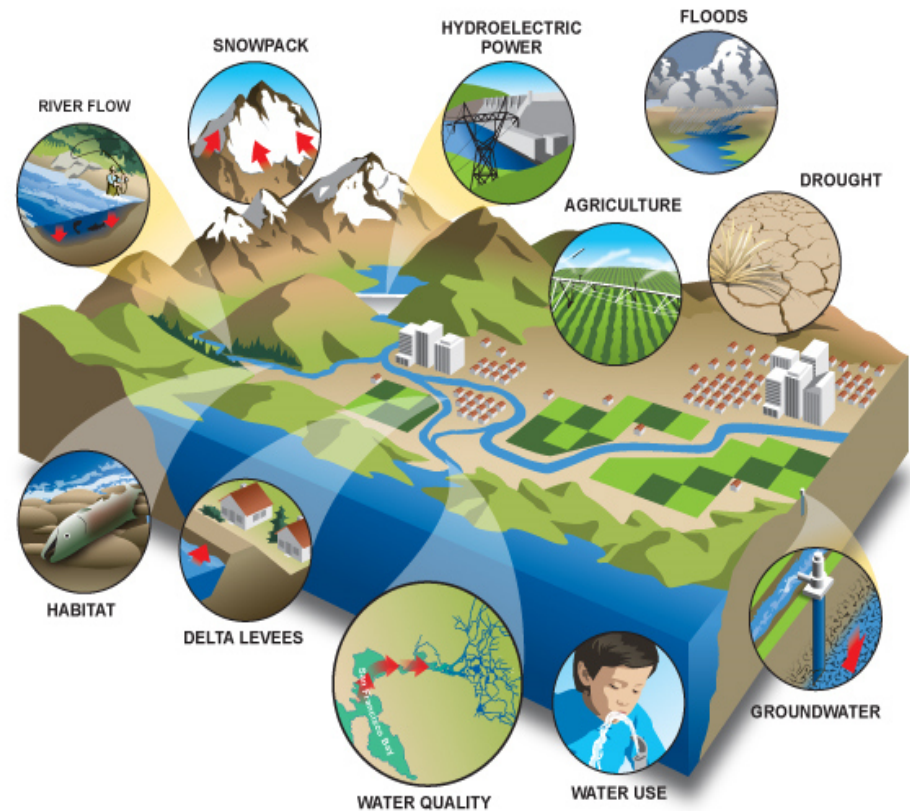
Conducting audits where citizen representatives are included in the team to make government more effective, transparent, and accountable

Always under the direct supervision and control of COA



# Citizens Participation in the Audit of Climate Finance

- Resource Tracking
- Program Evaluation
- Compliance Audit

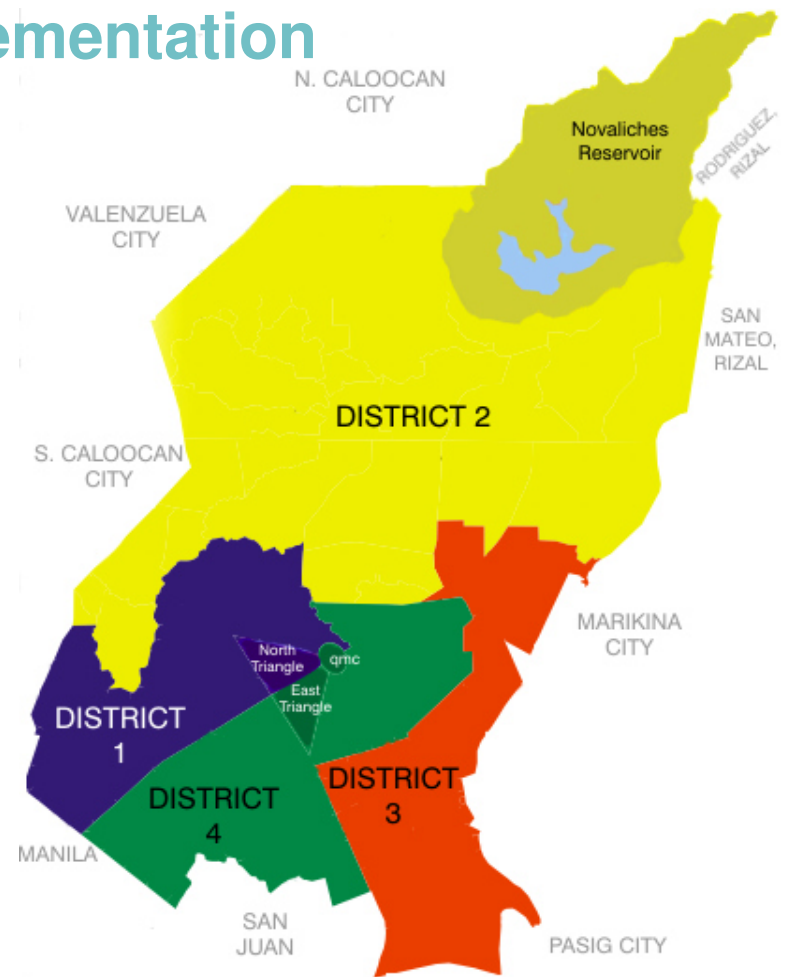




# Citizen Participatory Audit

## Solid Waste Management Implementation

The audit focused on how Quezon City implemented its **Solid Waste Management program.**



# Citizen Participatory Audit

## Solid Waste Management Implementation

### Citizen Participation

- CSO Partner: PINASAMA and KAPITBISIG

- COA, with ANSA–EAP, and ASoG designed the survey tool
- PINASAMA and KAPITBISIG were the survey enumerators for the three largest barangays in Quezon City
- With COA, assessed data results
- With COA, drafted the audit report

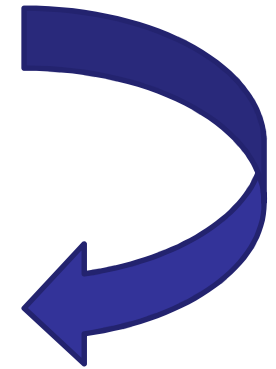
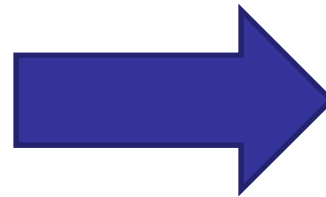
# Citizen Participatory Audit

## Solid Waste Management Implementation

**Audit  
Planning**



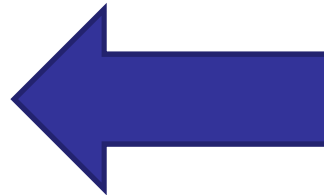
**Document  
Review**



**Execution/  
Fieldwork**



**Tool  
Development**



# SAI INITIATIVES ON ENVIRONMENTAL AUDIT



Early 2013 - SAI conducted an environmental audit using Citizen Participatory Audit on the implementation of environmental laws by Local Government Units (LGUs), the frontline agencies in carrying out environmental laws

## LGUs PROGRAMS AND PROJECTS



# Audit-in-brief: Implementation of the solid waste management program of Quezon City

## 1. BACKGROUND

Republic Act (R.A.) No. 9003, otherwise known as The Ecological Solid Waste Management (SWM) Act was approved into law on January 26, 2001. It adopts, among others, the State policy of a systematic, comprehensive and ecological solid waste management program.

The Law retains primary enforcement and responsibility of solid waste management with local government units (LGU) while establishing a cooperative effort among the national government, other LGUs, Non-government organizations, and the private sector.

## 2. AUDIT FOCUS

- Quezon City's (QC) SWM Program (garbage collection and street sweeping components)
- QC as the biggest city in the National Capital Region
- Citizen Participatory Audit (CPA) approach conducted with direct involvement of citizens



## 3. AUDIT OBJECTIVES

- Validate compliance of QC's SWM Program with certain provisions of R.A. 9003 with the audit findings to flow into the regular financial/ compliance audit;
- Determine the extent that a clean city has been achieved through the SWM efforts of QC.



## 4. AUDIT CRITERIA

- R.A. 9003, Sections 12 and 16
  - Implementing Rules and Regulations (IRR)
    - Part II, Rule V, Section, 4 (g)
    - Part II, Rule VI, Section 5
    - Part V, Rule VII, Sections 1 (a) and 1 (d)
    - Part VI, Rule XXI, Section 3(b)
- Contract requirements on system of collection, collection schedule, mode of collection, cleaning of litter-prone areas
- Public expectations on cleanliness of their communities and surroundings.

## 5. AUDIT METHODOLOGY

- Understanding the law and rules and regulations on Ecological Solid Waste Management through a briefing conducted by the Department of Environment and Natural Resources;
- Understanding QC's operationalization of R.A. 9003 through a briefing conducted by the City's Environmental Protection and Waste Management Department (EPWMB);
- Document analysis; and
- Citizen survey with assistance from civil society partners

## 6. AUDIT PERIOD

- Audit planning and fieldwork: April to May 2013
- Data processing and analysis, including report writing: June to September 2013

## 7. AUDIT RESULTS

7.1 Quezon City has a Solid Waste Management Board (SWMB) created by virtue of Ordinance No. SP-1512, S-2005 but its composition is not in accordance with Section 12 of R.A. No. 9003 (otherwise known as The Ecological Solid Waste Management Act); Section 5, Rule VI of its Implementing Rules and Regulations; and it had very limited operations.

7.2 Quezon City has a Ten-Year Ecological SWM Plan (2007-2016) pursuant to Section 16 of R.A. No. 9003. There are coordinated efforts with component barangays as regards the implementation of the Plan. However, the Plan was not reviewed and updated every two (2) years or as the need arises, contrary to Section 12 of R.A. 9003 and Section 4(g) of its IRR.

Results of the Citizen Survey:

7.3. On the conduct of Information, Education and Communication (IEC) Campaign –
 

- Majority (80%, or 398 of 496) of survey respondents were aware of on-going IEC campaigns about proper solid waste management within their communities

7.4. On proper solid waste segregation –
 

- Majority (75%, 371 of 496) of respondents indicated that they practice segregation of their biodegradable and non-biodegradable wastes

7.5. On timely collection of solid waste –
 

- Majority (76%, 375 of 496) of respondents said that their biodegradable wastes were collected on Mondays. Less than half (31%, 156 of 496) were aware that such wastes were also collected on Fridays. Majority (67%, 333 of 496) of respondents reported collection of non-biodegradable wastes on Wednesdays

7.6. Cleaning of thoroughfares and litter-prone areas
 

- More than half (52%, or 256 of 496) of the respondents indicated that they saw street sweepers in thoroughfares and litter-prone areas, particularly in the barangay

### SCOPE AND METHODOLOGY

- Audit Design Meeting (ADM)
 

Agreements on:

  - Audit focus;
  - Audit questions;
  - Methodology (citizen survey and document analysis);
  - Milestones, and
  - Tasking
- Survey Plan
  - Stratified Sampling
    - Sample barangays (Produced the biggest volume of solid waste and with the biggest population):
      - Commonwealth
      - Kaligayahan, and
      - Tandang Sora
    - Sample cells
 

A "cell" route is equal to one unit collection vehicle. The model and classification or type is dictated by the demographic or topographic condition of the cell route area, the vehicular movement and other situations which will hamper or obstruct its activity.

      - 100% of the non-biodegradable cells in the three barangays
  - Briefing with the EPWMB
  - Developing the Survey Questionnaire
    - By the QC Audit Team, Affiliated Network for Social Accountability in East Asia and the Pacific (ANSA-EAP), CPA-Project Management Team, COA Director in Charge of Environment Audit, environment expert resource person from the Ateneo School of Government (ASoG), and prospective CSO partners
    - Parameters for selection of CSOs:
      - Quezon City-based
      - Environment is a priority
      - Can mobilize volunteers within the 2-week timeframe of the audit field work

- Engaging the CSOs:
  - ANSA-EAP prepared a list of CSOs that complied with parameters a. and b.
  - Meetings with individual CSOs were held to determine readiness and willingness to participate and mobilize in 3 days
- Areas of Inquiry:
  - Based on contract for garbage collection
  - Satisfaction with overall cleanliness in community
- Engaging the barangay officials
- Orientation for the Citizen Survey, Pre-testing of the Survey Questionnaire and Briefing on the QC SWM Program
- Conducting the Survey
  - Administered by enumerators of partner CSOs
  - Data Collection: 3 days / 1 day per barangay
- Survey Data Processing
  - Data encoding
  - Qualitative and quantitative data processing
- Post-Survey Debriefing of Enumerators

*"There is still much room for improvement ... 29% gave a mark of only 'slightly clean.'"*

## 9. RECOMMENDATIONS FOR EXECUTIVE ACTION

### 9.1 On the creation of the City Solid Waste Management Board

- The Board should be reconstituted to conform to the membership requirements of the R.A. No. 9003; and to optimize the involvement of civil society as envisioned in the Law.

### 9.2 On the review and updating of the Ten-Year Ecological Solid Waste Management Plan

- The Plan should be reviewed and updated as required by Law to ensure its sustainability, relevance and effectiveness.

### 9.3 On overall cleanliness

- To improve future IEC campaigns, the Quezon City LGU should be more systematic in their identification of the specific IEC campaign activities embodied in Service Agreements of Solid Waste Cleaning, Collection and Disposal Contractors both to ensure effectiveness of the campaigns and to ensure that only services rendered are paid for.
- IEC campaigns should be collaborated with the Barangay officials concerned.

- Consider the following recommendations given by survey respondents to improve garbage collection:
  - Continued and stricter implementation of waste segregation
  - Thorough collection of waste based on set schedules
  - Scheduling of additional days for collection of solid wastes



7.7. A majority (51% or 253 of 496) of the respondents gave an overall mark of "clean", 10% (48 of 496) gave an overall mark of "very clean" and 29% (142 of 496) gave a mark of "slightly clean". Only 5% gave a mark of "dirty". Five per cent of the respondents did not answer.

## 8. CONCLUSIONS

8.1 In terms of the adoption of the Ten-Year Ecological Solid Waste Management Plan, the City was found complying. There were, however, instances of non-compliance in regard to the review and updating of the Plan and the composition and operation of the City Solid Waste Management Board.

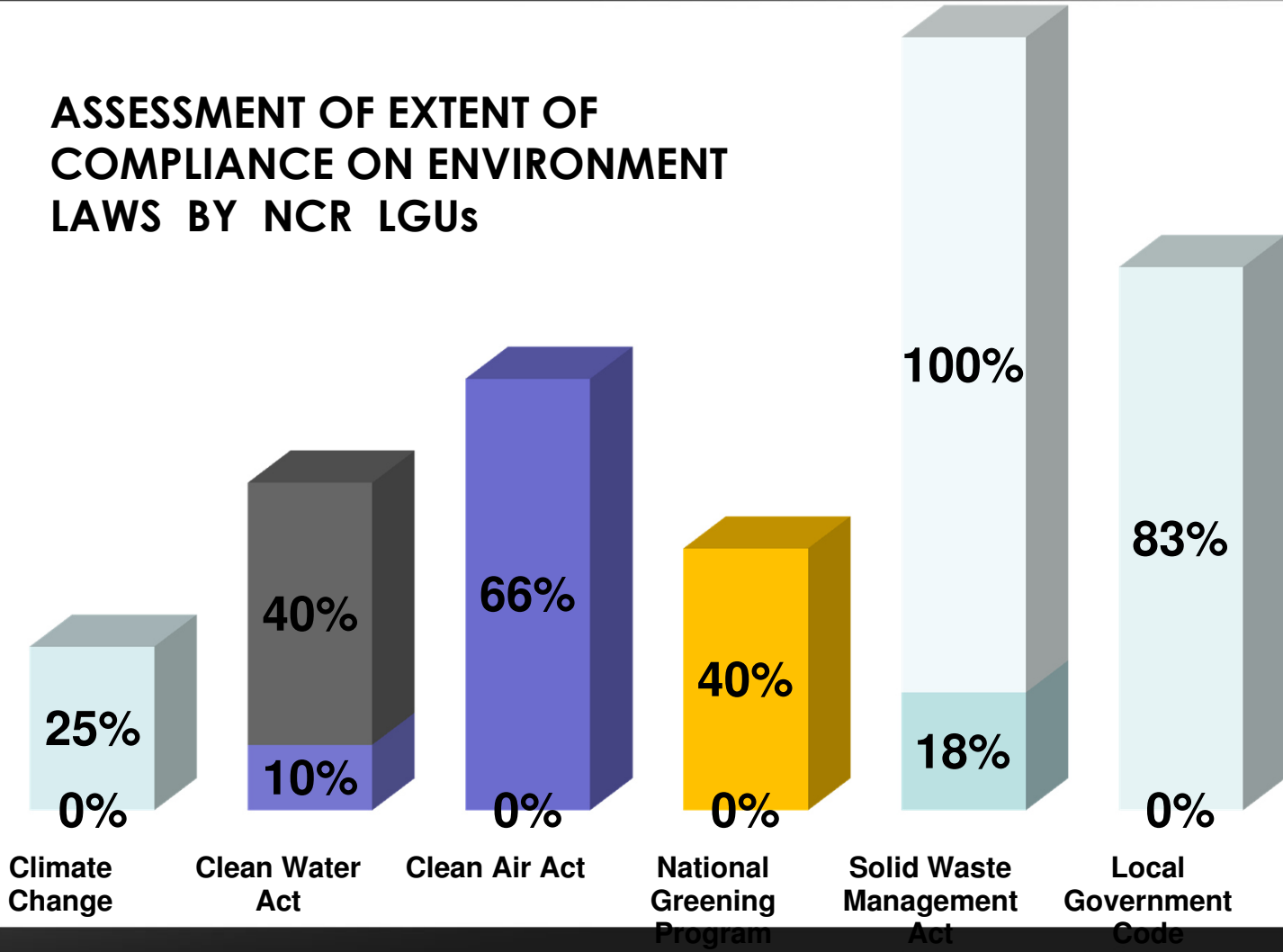
8.2 Almost all of the respondents were satisfied, at varying degrees, with the cleanliness of their communities.

"Not understanding the purpose and process of waste segregation" was identified as the reason why 25% of the respondents did not practice segregation of biodegradable and non-biodegradable waste.

Therefore, more targeted IEC campaigns to address this 25% of the population are still needed to enjoin them as active partners of the City in achieving its environmental goals.

120%  
100%  
80%  
60%  
40%  
20%  
0%

### ASSESSMENT OF EXTENT OF COMPLIANCE ON ENVIRONMENT LAWS BY NCR LGUs



# Citizen Participatory Audit

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

**Citizen website** designed to **generate interest and feedback** from citizens by uploading easy to understand articles and infographics  
Launched in November 2012



**i-kwenta**  
Audit 101 Reports Citizen Portal Citizen Audit  
YOU ARE HERE : Welcome to i-kwenta.com > Audit 101 > COA by the numbers

**COA by the numbers**

**COA** BY THE  
**NUMBERS**  
Commission On Audit Findings for 2011\*

**30** Trillion Pesos  
Total amount audited.

WHERE DID THIS AMOUNT COME FROM?  
HOW MANY STATE AUDITORS DOES COA HAVE?  
HOW MUCH QUESTIONABLE TRANSACTIONS WERE DETECTED?

# Citizen Participatory Audit

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

- Citizens' website
- Repository of audit information
  - Audit 101
  - Info graphics, videos for public
  - CPA updates and reports
- Portal for citizen feedback
  - Easier way for all citizens to send us feedback (e.g., info request, questions, comments) publicly
  - Integrated with PIS
  - Updated information on results of CPA pilot audits

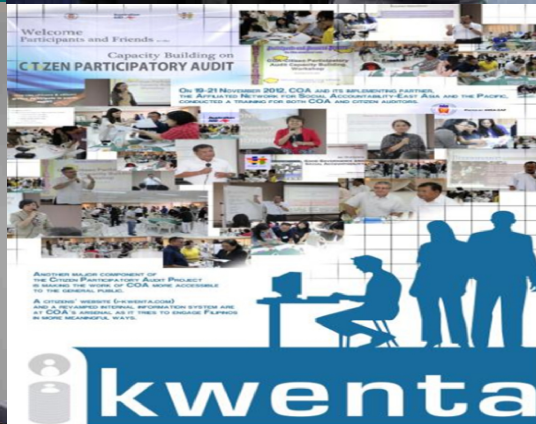
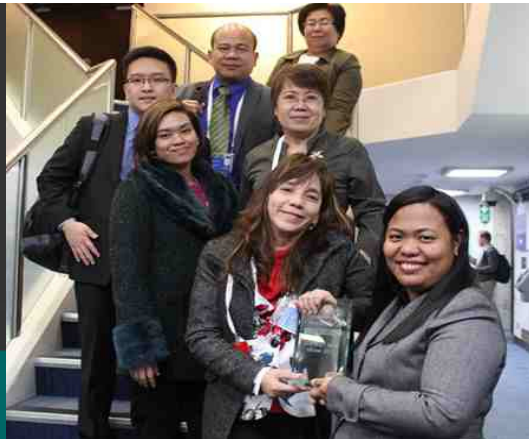




# Citizen Participatory Audit

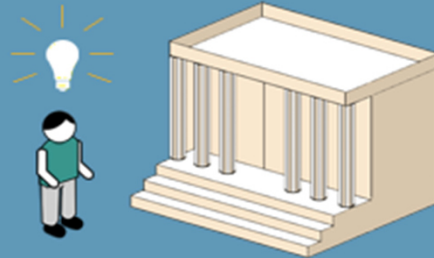
## PH wins award in London for anti-corruption project

Open  
Government  
Partnership



# Benefits of CPA

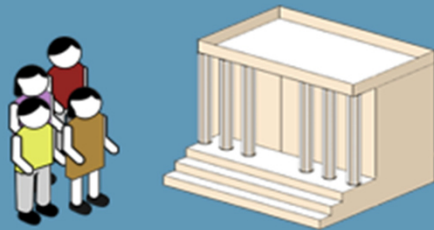
Increased awareness and knowledge of YOUR government



Strengthened ownership of public funds a.k.a. YOUR TAXES



Citizen participation in government decisions



Improved public service delivery



# Entry points for CPA

## Give Feedback



What can be done?	Who can do these?
Detection of potential cases of corruption and reporting to COA (whistleblowing and truth-telling).	Individuals/Civil Society
Report cases as potential subjects for audit.	Civil Society
Provide feedback on the performance of government offices.	Individuals/Civil Society
Communicate concerns and suggestions from external parties (i.e. business sector, foreign groups, etc).	Civil Society Special Interest Groups

# Entry points for CPA

## Build Awareness



### What can be done?

Convene public dialogue where community members can discuss public service delivery issues with government authorities.

Provide mainstream access to government/public information.

Evoke strong citizen/public support in audit advocacies.

### Who can do these?

Civil Society

Media

Media

# Entry points for CPA

## Monitor



### What can be done?

Monitor implementation of audit recommendations.

Transmit relevant COA findings to government officials who are in a position to act on them.

Follow up with public officials regarding the proposed changes or remedial actions.

### Who can do these?

Civil Society

Civil Society

Civil Society

# Entry points for CPA

## Advocate



### What can be done?

Share COA's audit recommendations to pressure government to take action.

Create "Integrity Circles" composed of respected men and women from local communities to provide "suggestions" to government consultations.

Provide higher-level policy pressure such as "conditionalities" linked to policy lending or budget support.

### Who can do these?

Civil Society

Civil Society

Development Partners/ Donors  
(e.g. AUSAID, WB, ADB, USAID)

# Entry points for CPA

## Fund



### What can be done?

Provide fund support for conducting participatory audits.

Conduct fund raising activities.

### Who can do these?

Development Partners/ Donors  
(e.g. AUSAID, WB, ADB, USAID)

Civil Society

# Entry points for CPA

## Join CPA



### What can be done?

- + Perform Independent Budget Analysis (IBA) as input to CPA.
- + Develop performance indicators.
- + Design data gathering instruments (e.g. questionnaires).

### Who can do these?

Civil Society Organizations



# Entry points for CPA

## Join CPA



- + Unbundle information by collecting and analyzing data using techniques that will guarantee credibility and objectivity.
- + Produce high quality research such as analysis of the vulnerabilities/risks and benchmarking of institutional performance against international standards and practices.
- + Develop integrity/transparency index for individual government offices.
- + Develop service performance index to rate and rank government services on a variety of scales including coverage, quality and citizen satisfaction.

Specialists or Subject Matter Experts/  
Academe / Think Tanks /  
Policy Institutes/  
Civil Society Organizations

# Challenges

- creating an enabling environment for CSOs to fulfill their role as watchdog and stakeholders representative of citizens' interest (informed advocacy)
- Constructively engage government through participatory approaches that are neither critical, judgmental and oftenly perceived as fault finding
- Understanding the contextual appropriateness and the nexus between government and citizens in order to create a space for better collaboration and partnership



**Commission on Audit**  
Republic of the Philippines

*Participatory audits complement formal audits because they are less structured and use informal mechanisms to arrive at important observations. These mechanisms include information from citizens on market prices, collusive practices, quality of embedded materials—that can enhance the value of government audit. This mode of investigation is also faster. Formal audit mechanisms, which are considered the gold standard, are bound by hard and fast rules, which can sometimes stand in the way of the auditor’s objectives. Taken together, formal and informal audit mechanisms can be an effective and powerful means to exact greater accountability among government agencies. Clearly, there is a need to effectively bring these two practices together.*



**Commission on Audit**  
Republic of the Philippines

If you want people to trust government, you must trust the people to help in the most basic of pursuits - ensuring that tax money is spent wisely for the common good.



Accountable

Participatory



Transparent



Accountable

