



EXECUTIVE SUMMARY

The Armed Forces of the Philippines – Philippine Navy Mission is “to organize trains and equip, deploy and maintain forces for prompt and sustained naval and maritime operations in support of the Unified Commands in the accomplishment of the AFP mission.”

The Philippine Navy is organized into: two (2) type commands, six (6) operational commands and twelve (12) support commands and units (as demonstrated in figure 1).

The two type commands are composed of the Philippine Fleet. The Philippine Fleet’s mission is to prepare and operate assigned forces for naval operations in order to support the PN accomplish its mission. Its general objectives are to optimize operational readiness and combat effectiveness of equipment and personnel and effectively manage available resources through efficient internal administration.

The specific functions of the Fleet are, first, “to provide assets that will conduct continuous naval patrol, sea control and amphibious operations in order to defend the sovereignty of the country, its territorial waters and Exclusive Economic Zone (EEZ) from foreign aggression, intrusion and exploitation; second, to assist in the conduct of national security operations and ensure safety and security of coastal areas; third, to employ assets to assist in the conduct of disaster response, particularly maritime search and rescue and patrol, sealift and other type of operations as directed.

The second is the Philippine Marine Corps (PMC). The PMC’s mission is “to provide combined arms units in the conduct of amphibious warfare and such other operations in order to accomplish mission of the Philippine Navy.”

Naval Forces Northern Luzon (NAVFORNOL), Naval Forces Southern Luzon (NAVFORSOL), Naval Forces Central (NAVFORCEN), Naval Forces West (NAVFORWEST), Naval Forces Western Mindanao (NAVFORWEM), and Naval Forces Eastern Mindanao (NAVFOREM) comprise the Naval Operational Command with capabilities for conducting territorial defense operations, internal security operations and such other activities to support naval administration, logistics, service support and community development in their area of responsibility.

The PN’s total manpower complement for CY 2006 is Twenty Four Thousand Nine Hundred Nine (24,909). It is composed of military personnel -classified as officers (with total of 2,341) and enlisted personnel (with total of 20,804); and civilian personnel. Civilian personnel are composed of permanent (with total of 1,211), casual (with total of 416) and contractual (with total of 137).

For CY 2006, the Command received a total of P5.815B for personal services from Department of Budget and Management (DBM). Of this amount P5.578B was spent for the pay and allowances of military personnel including salaries and wages of civilian employees leaving an un-obligated balance of P236.9M.

For MOOE, the Navy was appropriated a total of P2.136B under a reenacted budget. Of this amount, P2.064B was utilized for the administrative and operating requirements of the command leaving an un-obligated balance of P71.5M at the end of the year and will be book as continuing appropriations. 66% of total MOOE were allocated to PN Internal Security Operation (ISO) units.

The Integrity Development Review (IDR) Project in Armed Forces of the Philippines - Philippine Navy (AFP-PN) started on January and ended on August 2007. Of all the Major Services in AFP, the IDR Team selected the Philippine Navy because of the following reasons: 1) Composite service in the AFP (personnel for naval operation-sailors, personnel for ground operation-marines and personnel for air operation-naval air group; and the civilian complement), 2) Personnel strength is between the total strength of the Philippine Army and Philippine Air Force; and, 3) Enhance the PN’s organizational integrity.



The sites that were selected and subjected for IDR are Headquarters Philippine Navy/Headquarters Support Group (HPN/HSG) in Roxas Boulevard, Manila, Philippine Marine Corps (PMC) in Fort Bonifacio, Naval Sea Systems Command (NSSC) in Cavite City and Naval Forces Western Mindanao (NFWM) in Zamboanga City.

The IDR Project is composed of two phases. The first phase is the conduct of Corruption Resistance Review (CRR). The CRR is done in three (3) stages. Stage one (1) is the Integrity Development Assessment (IDA). This stage is a self-guided assessment conducted by IDR Assessors together with the Senior Officers (Management) of the PN as the participants. The participants were requested to rate the efforts of their agency to put in place measure that can prevent and/ or forestall corruption. As reiterated, "This tool does not measure or determine incidences of corruption, but rather identifies the areas where the agency has placed systems to prevent corruption. There are ten (10) dimensions were subjected for review (Leadership, Code of Conduct, Gifts and Benefits Policy, Human Resource Management: Recruitment, Selection and Movement of Personnel, Performance Management, Procurement Management, Financial Management: Budgeting, Accounting, Cash Handling, Whistle blowing, Internal Reporting and Investigation, Corruption Risk Management and Interface with External Environment)

Stage two (2) is the survey of employees. This is a means to check the deployment of integrity building measures and solicit feedback from employees on:

- Their personal experiences with integrity building measures of the agency;
- Clarity of guidelines and procedures (particularly when they serve as safeguards);
- Effectiveness of corruption prevention measures; and
- Their suggestions for improvement

The survey uses the sealed envelope technique to encourage honest feedback and ensure the confidentiality of respondents and responses.

The team interviewed a total of **Three Hundred Sixty Seven (367)** randomly selected officers, enlisted personnel and civilian personnel. Broken as-

Site	Required Number of Respondents	Actual Number
HPN, PN	100	97
PMC	155	155
NSSC	65	65
NFWM	50	50

Stage three (3) is the indicators research. This is where documents are collected and analyzed to support the ratings made during the IDA process.

The second (2) phase of the IDR is the Corruption Vulnerability Assessment (CVA). CVA entails detailed examination of the general control environment of the agency, the inherent risk of corruption in agency operations, and the adequacy of existing safeguards. The purpose of the CVA is to examine the high-risk activities and/or functions and assess the probability that corruption occurs or will occur and not be prevented or detected in a timely manner by the internal controls in place. Based on the vulnerabilities identified by the agency or surfaced from CRR, a detailed investigation and risk assessment of selected activities, functions, processes, procedures, and/or controls is carried out. The assessment involves process mapping, identification and classification of risks, checking of existing controls, and evaluation of adequacy of safeguards. Data and information may be culled from document review, key informant interviews, and process observation to the extent possible.

Based on the issues and concerns that were initially raised during the survey of employees, the following areas were recommended and subjected for CVA: 1) HR - Recruitment and Promotion, 2) Financial Management



System; and, 3) Procurement Management. The said areas were perceived high-risk areas of operation in the Philippine Navy.

The Team of Assessors were divided and simultaneously conducted first, the CRR and second, the CVA to HPN, PMC, NSSC and NFWM.

The CRR results are summarized in the below table.

Dimension	Final Rating	Deployment
1. Leadership	2	50% to 60%
2. Code of Conduct,	3	90% to 100%
3. Gifts and Benefits Policy,	0	
4. Human Resource Management: Recruitment, Selection and Movement of Personnel	3	70% to 80%
5. Performance Management	3	70% to 80%
6. Procurement Management	3	50% to 60%
7. Financial Management: Budgeting, Accounting, Cash Handling,	2	50% to 60%
8. Whistle blowing Internal Reporting and Investigation	0	-
9. Corruption Risk Management	0	-
10. Interface with External Environment	1	50% to 60%

On the other hand, the CVA results revealed vulnerabilities in the three identified areas. These vulnerabilities are:

For recruitment and promotion, the team found out that possible risks are **low in significance of occurrence and low in significance of impacts**). The following are the risks that may possibly occur.

- Fake applicant credentials
- Biased Promotion Board Members
- Connivance, leakage, cheating in recruitment process
- Indifference of CO to morale and welfare of other soldiers
- Biased After Battle /Operations Reports
- Intervention by higher authorities
- Nepotism, “utang na loob”, “Palakasan” system

For financial management system (processing and payment of financial transaction and SDO/Cash Advance System), the team identified the following **possible** risks (meaning, processes with **high in likelihood of occurrence and high in significance of impacts**)

- Collusion of Inspector with the dealer/supplier
- Advance payment (prior to delivery)
- Procurement of items not emergency in nature
- Discretionary power of the unit commander on the utilization of funds
- Procurement of ORs from supplier/dealer
- Collusion of SDO w/ Accounting personnel

For procurement management (regular procurement and other forms of bidding), the following **possible** risks were identified:

- Bloated or arbitray estimates
- Failure to capture actual requirements
- Unresponsive procurement program (plan)
- Abuse of discretion, SAO may be subjected to pressure y higher authority
- Collusion between SAO and higher authority



- Splitting of purchase requests
- Collusion by bidders
- Collusion between BAC and bidders
- Tailor fitting of specs to favor specific suppliers
- Pre-arranged bid quotation among suppliers/dealers

In general, the IDR Team recommended the following points action for the Philippine Navy to consider in improving its system.

- Financial management must be included as a mandatory generic managerial tool for all commissioned officers of the AFP integrated in all levels of training beginning with the Philippine Military Academy (PMA). Part of the responsibility of the officers is to ensure that all financial transactions in their units are transparent and above board even if they are not serving directly as finance/logistics officers.
- All financial documents of the units should routinely be made available to all unit officers.
- The role of AFP Procurement Service (PS) as a central unit in the procurement system was a response to specific corruption cases and may need to be reexamined over the long term to ensure its overall effectiveness. Specific issues to be examined are:
 - Should the office be organized at the GHQ level therefore maybe too highly centralized for effective response to field unit requirements
 - Staffing and logistical requirements so far have not been met and may prove to be an unnecessary long-term problem
- The Defense Planning Guidance (DPG) and the Annual Procurement Plan (APP) as central crucial outputs need clarification as to their top-down or bottom-up formulation processes for the guidance of all concerned. This is a long-term doctrinal concern, which has implications on the immediate procurement process.
- As a long-term mechanism for monitoring and systems improvement, the quest for an ISO 9001:2000 QMS Certification for the PN Procurement system should be seriously considered. Alternatively, the PN Procurement System can be enrolled in the PQA process to obtain free organizational and consultancy services.
- Systematically document the procurement difficulties under RA9184 for policy response at three levels: 1) coming up with customized IRR for AFP; 2) another parallel law that takes into consideration the special logistical requirements and circumstances of the AFP, and 3) training of personnel only.