

## **Composition of the Assessment Team**

Team Leader

**Ms. Magdalena L. Mendoza, DAP**

Assistant Team Leader

**Reynold V. Galope, DAP**

Assessors

**Ione S. Alejo, BIR**

**Blessiline A. Alvero, DepEd**

**Jonathan B. Beltran, COA**

**Atty. V C. Cadangen, BIR**

**Barbara F. dela Cruz, DAP**

**Gilbert E. Lumantao, PAGC**

**Narcisa Z. Nubla, BIR**

**Atty. Maria Teresa A. Ruiz, OMB**

**Blesilda Pilar Z. Servando, OMB**

**Christie L. Villanueva, BIR**

Agency Counterpart Team

**OIC-ACIR Estela V. Sales**

**ACIR Leonor S. Villalon-Rogers**

OMB-DAP Project Management Office

**AO Cyril E. Ramos**

**AO Evelyn A. Baliton**

**VP Magdalena L. Mendoza**

**Dir. Ador Paulino**

**Atty. Rafael Hipolito**

**Dir. Mary Geraldine C. Naraja**

**Lea Rosemary V. Liban**



## CONTENTS

Overview of the Project	3
Overview of the Participating Agency: Bureau of Internal Revenue	4
Assessment Methodology and Tools	6
Corruption Resistance Review	8-62
Integrity Development Assessment	8
Leadership	8
Code of Conduct	11
Gifts and Benefits Policy	12
Human Resource Management	14
Performance Management	17
Procurement Management	19
Financial Management	21
Whistleblowing, Internal Reporting and Investigation	23
Corruption Risk Management	25
Interface with External Environment	27
Survey Results	30
One-Way ANOVA Analysis Tables	56
Corruption Vulnerability Assessment	63-101
Letter of Authority	63
One-Time Transactions (ONETT)	79
Recruitment and Promotions	90
Summary of Recommendations	102
Conclusion	110



## Overview of the Project

Integrity Development Review is a process of building and sustaining an agency's ability to prevent corruption from happening. It is about integrating corruption resistance strategies into the various organizational facets of an agency so that factors that contribute to corrupt behavior can be checked and those that discourage corrupt acts or malfeasance are reinforced. As the old adage goes, "an ounce of prevention is better than a pound of cure."

There are various approaches to prevent corruption. One tested formula is that of Klitgaard's minimizing corruption by demonopolizing power, circumscribing discretion and raising accountability. Another is a four-point approach, namely limiting opportunities for corrupt transactions, decreasing the gains, increasing the probability of being caught and raising the magnitude and severity of penalties. In any case, a thorough diagnosis is a logical first step in order to establish activities that are vulnerable to corruption, check availability of control mechanisms that can detect and deter wrongdoings and evaluate the effectiveness of penalty and reward systems.

External parties can do diagnosis objectively. But self-assessment would be ideal especially for reform-oriented agencies. This is the idea behind the Integrity Development Review Project. This aims to support the leadership and management of the Office of the Ombudsman in improving governance in the public sector by providing tools for objective assessment of corruption vulnerability and resistance of agencies. The project is implemented by the Development Academy of the Philippines.

The integrity development framework builds on the Corruption Resistance Review (CRR) approach developed by the Independent Commission Against Corruption of New South Wales and the Corruption Vulnerability Assessment (CVA) tool adapted by DAP from the Office of Management and Budget. The CRR helps agencies assess their level of corruption resistance and progressively develop and implement corruption prevention measures to meet certain standards of organizational integrity. CVA determines the susceptibility of agency systems to corruption and examines the adequacy of safeguards to forestall wrongdoings.

The IDR process that evolved in this project consists of two stages: Stage 1 involves corruption resistance review via guided self-assessment, indicators research and a survey of employees. Stage 2 demands a detailed corruption vulnerability analysis. The IDR methodology was pilot-tested in three agencies, namely, the Office of the Ombudsman, Department of Education and Civil Service Commission.



## Overview of the Participating Agency: Bureau of Internal Revenue

The Bureau of Internal Revenue (BIR) is under the supervision of the Department of Finance (DoF). It is mandated to assess and collect all national internal revenue taxes, fees and charges, enforce all forfeitures, penalties, fines and execution of judgments in all cases decided in its favor by the Supreme Court, Court of Tax Appeals and the regular courts and administer supervisory and police powers conferred by National Internal Revenue Code as amended (R.A. 8424) and other laws. As of December 31, 2005, the BIR has 11,886 people and has a National Office in Quezon City and 19 Regional Offices, 123 Revenue District Offices and 4 Revenue Data Centers all over the Philippines.

The BIR's vision is to be the epitome of excellence in tax administration. Its mission is to raise internal revenue taxes for the government. The Bureau's guiding principle is service excellence with integrity and professionalism. BIR's staff shares the same values that guide them in making decisions and actions. These values are the values of being God-fearing, consistency, competency, innovativeness, accountability, synergy, respect, fairness, and transparency.

The Commissioner of Internal Revenue, Jose Mario C. Buñag, heads the agency. The members of its Management Committee are: Virginia L. Trinidad (Deputy Commissioner- Resource Management Group), Lilia C. Guillermo (Deputy Commissioner-Information Systems Group), Lilian B. Hefti (Deputy Commissioner-Operations Group), Gregorio V. Cabantac (Deputy Commissioner-Legal and Inspection Group), Lucita G. Rodriguez (OIC-Deputy Commissioner-Tax Reform Administration) and Norma L. Lipana (OIC-Deputy Commissioner-Special Concerns Group).

In 2005, the BIR has an annual budget of PhP3, 641,788,000.00, fourteen (14) percent of which goes to general administration and support services, nine (9) percent to support to operations, fifty three (53) percent to enforcement of Internal Revenue Laws and twenty four (24) percent to locally-funded projects. Sample projects implemented by the BIR to promote appropriate Internal Revenue Laws were dissemination of Reminder Letters to all business establishments being tax mapped, e-complaint (lodging of complaints through the e-mail), etc.

In some of the corruption surveys undertaken by the Social Weather Stations (SWS), the BIR would often surface as one of the corrupt government agencies. Table 1 (December, 2004 SWS survey) shows that nine (9) percent of the sample population perceived BIR as one of the corrupt government agencies, having the same percentage as the Department of Public Works and Highways (DPWH).

**Table 1. Agencies Named as Corrupt, October 1999 to December 2004<sup>1</sup>**

Agency	Oct 99	Dec99	Mar00	Sep00	Nov02	Nov03	Dec04
GSIS		1			2	13%	22%
AFP			1		1		21
<b>BIR</b>	<b>8</b>	<b>11</b>	<b>11</b>	<b>6</b>	<b>17</b>	<b>15</b>	<b>9</b>
DPWH	14	15	20	12	16	16	9
PNP	11	11	9	4	4		6
DECS	7	8	8	13	6	7.6	5
BOC	8	15	8	5	8	11	5
SSS		1	2		5		5
NAPOCOR							3
DOH	2	3	6	2	2		1
DOLE	1	1	2	1	1		1
CONGRESS	2	5	4	1			4

<sup>1</sup> Source: Social Weather Stations, November 23-December 2, 2004 National Survey



Agency	Oct 99	Dec99	Mar00	Sep00	Nov02	Nov03	Dec04
MUNICIPAL GOVERNMENT		3	4	1	1		1
LTO	4	5	4	1	5		3
DENR	3	2	2		2		2
DSWD	1		1	1			.5
DILG	2	2	2	1	1		.3
NONE					32	8.4	26
DON'T KNOW/ CAN'T SAY	52	48	45	17	24	24	20
CAN'T RECALL						4.1	
REFUSED			2			2.6	.4

Based on survey conducted by the SWS Surveys of Enterprises on Corruption from 2000 to 2006 (Table 2), the BIR's net sincerity in fighting corruption is -58 in 2006 for 5 areas, a more favorable rating compared to last year of -59 and to 2000 of -74. Hence, the Agency is perceived to be more serious in its efforts to fight corruption. Table 2 shows the comparative net sincerity rating of the BIR compared to other government agencies.

**Table 2. Net Sincerity in Fighting Corruption 2000-2006<sup>2</sup>**

Agency	2000 (NCR)	2001 (NCR)	2003 (NCR)	2004 (NCR/C/D)	2005 (5 Areas)	2006 (5 Areas)
Senate	-3	-4	-10	-19	-13	-17
PAGC			+1	-1	-7	-17
AFP					-38	-19
DOJ		+32	+16	+22	+13	-20
DOTC						-22
DA						-24
DILG			-8	-14	-17	-32
PNP	-24	-51	-35	-48	-42	-36
LTO			-23	-47	-45	-38
DENR		-24	-30	-25	-44	-39
House of Reps	-29	-25	-23	-36	-28	-40
<b>BIR</b>	<b>-74</b>	<b>-55</b>	<b>-51</b>	<b>-57</b>	<b>-59</b>	<b>-58</b>
COMELEC						-59
DPWH	-68	-45	-59	-63	-66	-66
BOC	-83	-71	-65	-69	-75	-74

The above result shows that the BIR's programs (e.g. Implementation of BIR Personnel Integrity Program, enhance the security of tax payments through the use of electronic broadcasting system and full implementation of eFPS, participation in the Integrity Development Review, etc.) in combating corruption are working.

<sup>2</sup> Source: Social Weather Stations, The 2006 SWS Survey of Enterprises on Corruption



## ASSESSMENT METHODOLOGY AND TOOLS

The IDR Assessment Team used a two-stage methodology in implementing the project. Stage one is Corruption Resistance Review (CRR), which has three (3) key tools, namely, Integrity Development Assessment (IDA), Indicators Research and Survey of Employees. Stage two is Corruption Vulnerability Assessment (CVA), which uses the Site Visit Forms and Risk Assessment Worksheets.

The IDA is a self-assessment tools used in reviewing an agency's performance in the following dimensions of integrity:

1. Leadership
2. Code of Conduct
3. Gifts and Benefits
4. Human Resource Management
5. Performance Management
6. Procurement Management
7. Financial Management
8. Whistleblowing, Internal Reporting
9. Corruption Risk Management
10. Interface with the External Environment

Each dimension has a five-point scale and each of the scale contains indicators of performance that the agency should satisfy. In case the agency cannot satisfy any or all of the indicators of a particular scale, then the agency could not rate itself in that level. The five-point scale is progressive; hence, the agency could not go to a higher scale if the indicators in the lower scales are not fulfilled.

The technique used in the IDA is Focused Group Discussion (FGD). A facilitator guides the FGD participants in rating the agency in each of the dimensions. The participants' final rating per dimension is either a consensus or a majority rating.

Indicators Research is another tool in CRR. It is used to substantiate the self-assessment findings and to provide leads on the high-risk areas in the agency's operations. Another tool is the Survey of Government Employees – an instrument used in getting an assessment of the agency's efforts in corruption prevention based on the perception of randomly selected employees. The survey aims to detect the deployment of integrity building measures in the agency and generate feedback from employees on experiences in integrity building measures, clarity of guidelines and procedures, particularly those related to corruption, and effectiveness of corruption prevention measures.

In Stage two, the Assessment Team identified the top three (3) processes that are vulnerable to corruption based on the findings of the CRR. The selected processes are: (1) Issuance of Letters of Authority (LA), (2) One-Time Transactions (ONETT), and (3) Human Resource Management. The tools used under CVA are the Site Visit Forms and the Risk Assessment Worksheets. The Site Visit Forms aim to validate the strengths and areas for improvement, identify the issues that need verification, as well as the means of verifying such issues.

The use of the Risk Assessment Worksheets involves the preparation of process flows of the identified processes, identifying the activities that are vulnerable to corruption, identifying the corruption risk factors per activity and evaluating their probability of occurrence and significance of impact, identifying the control mechanisms and assessing their effectiveness, and formulating the recommendations to prevent or minimize corruption.



Both the CRR and CVA were undertaken in the National Office and three (3) regional sites namely, Revenue Regions 9 (San Pablo City), 13 (Cebu City) and 19 (Davao City).



## CORRUPTION RESISTANCE REVIEW

---

<sup>5</sup> The IDA participants then requested ACIR Sales to organize anticorruption re-echo seminars with senior leaders (i.e., Deputy Commissioners and below) as participants.



Corruption Resistance Review (CRR) involves the use of three (3) tools, namely, Integrity Development Assessment (IDA), Indicators Research and Survey of Employees. The IDA is a guided self-assessment tool for reviewing an agency's performance in ten dimensions of integrity. The Indicators Research is used to substantiate the IDA findings and to provide leads on the high-risk areas in the Agency's operations. The third tool, Survey of Government Employees, is used in getting an assessment of the Agency's efforts in corruption prevention based on the perception of randomly selected employees. The CRR findings for each of the ten dimensions are presented below.

## INTEGRITY DEVELOPMENT ASSESSMENT

### 1. Leadership

The agency's leadership plays a very critical role in integrity building; sometimes, it alone can determine the success or failure of corruption prevention programs in the agency. This dimension equally considers the importance of what a leader does and what he or she professes. Senior leaders and officials are key in setting values and directions; promoting, practicing, and rewarding good governance; and using performance management in proactively addressing ethical and accountability requirements. Opportunities for abuse of authority of senior leaders should be carefully monitored. The agency should set clear organizational policies and structure in decision-making and accountability for senior leaders and officials.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ Senior leaders set organizational values, short and longer-term directions, and performance expectations.</li> <li>▪ Senior leaders/managers have clearly defined authorities and accountabilities.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Senior leaders/managers deploy organizational values, short and longer-term directions, and performance expectations.</li> <li>▪ Senior leaders/managers articulate the importance for everyone in the organization to be ethical in their behavior and dealing with all stakeholders.</li> <li>▪ Senior leaders/managers take proactive steps to discourage staff from engaging in corrupt practices.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ Senior leaders/managers have specific responsibilities for prevention and detection of corruption</li> <li>▪ Senior leaders/managers are trained on corruption prevention and detection.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ Practices and performance of senior leaders/managers in preventing and detecting corruption are reviewed/evaluated.</li> <li>▪ Decisions/actions of senior leaders/managers are randomly checked for possible abuse of authority/discretion, conflict of interest.</li> <li>▪ Integrity enhancement/corruption prevention is integrated in management functions (planning, leading, organizing, controlling).</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ The agency reviews the effectiveness of senior leadership organization in enhancing integrity of the organization.</li> </ul>

### IDA Rating of the National Office and the Three Regional Sites



The National Office and the three (3) regional offices, i.e., Revenue Region IX (San Pablo), Revenue Region XIII (Cebu), and Revenue Region XIX (Davao) of the Bureau of Internal Revenue (BIR) all arrive at a consensus rating of level 2. They agree that the senior leaders of the BIR have clearly defined authorities and accountabilities and that the same discharge their basic duty to set strategic directions and organizational values. They are also in agreement that the senior leaders of the agency regularly remind their respective subordinates (either verbally or in written form) to be both productive and ethical.

The IDA participants also agree that BIR's senior leadership has specific responsibilities to prevent and

Leadership	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	2	2	2	2	
Deployment Rating	70-80%	80%	100%	50-60%	
Validated Rating	2	2	2	2	2

detect corruption. Despite this strength though, they concede that they cannot merit a score of 3 because most of their senior leaders have not undergone formal training on corruption prevention and detection.

During the IDA at the National Office, a number of participants and even Atty. Estela Sales herself admitted that most anticorruption trainings had been attended by the latter in her capacity as Assistant Commissioner for the Inspection Service.<sup>5</sup> The situation in the regional offices is not exactly different from that of the National Office. The participants of RR19 (Davao) claimed that only their Resident Ombudsman had attended corruption prevention trainings. They cited budget constraints as the primary reason why revenue officers of RR19 had not attended anticorruption trainings. The head of the Excise Tax Office in Cebu also claimed during the IDA for RR13 that he had attended not even one anticorruption training. RR9 (San Pablo) are slightly better off: they said they had attended corruption prevention trainings but they quickly qualified that these were conducted by other agencies and not organized/spearheaded by the BIR.

### Validation/Team's Rating

The Assessment Team agrees that the BIR indeed merits a score of 2 (not 3) in Leadership.

The senior leaders of the BIR have clearly defined authorities and accountabilities. It is clear in the National Internal Revenue Code (NIRC) that the chief officials of the BIR are the Commissioner of Internal Revenue and his four (4) Deputy Commissioners. The powers and duties of the Commissioner as well as his authority to delegate power to any of his subordinate officials are well defined by the NIRC. A series of Revenue Administrative Orders (RAOs) issued in August 2000 by then-Commissioner Dakila B. Fonacier has defined the organizations and functions of the various service offices and regional offices under the BIR.<sup>6</sup>

Senior leaders set and deploy organizational values. The most concrete evidence that the agency's senior leadership has discharged this fundamental duty well is the issuance of the updated Code of Conduct for the officers and employees of the BIR in June 1998 under the leadership of then-Commissioner Liwayway

<sup>6</sup> The organization and functions of the Policy and Planning Service, the Enforcement Service, the Large Taxpayers Service, the Information Systems Operations Service, the Taxpayers Assistance Service, the Assessment Service, the Collection Service, the Excise Taxpayers Service, the Legal Service, the Inspection Service, the Human Resource Development Service, the Financial and Administrative Service, the Revenue Data Center, the Information Systems Development Service, and the Information Planning and Quality Service have been defined by RAO 2-2000, 3-2000, 4-2000, 5-2000, 6-2000, 7-2000, 8-2000, 9-2000, 11-2000, 12-2000, 13-2000, 14-2000, 15-2000, 16-2000, and 17-2000 respectively. The organization and functions of the regional offices including the divisions and revenue district offices under them down to the section level have been defined by RAO 10-2000.



Vinzons-Chato. In addition to disseminating the Code of Conduct to each and every revenue employee<sup>7</sup>, senior leaders also use every media (e.g. memoranda, flyers/brochures, in-house seminars, flag ceremonies, agency anniversary programs) available at their disposal to remind employees to be ethical. In February 2006 alone, the BIR conducted a number of seminars on ethics, spiritual formation, and moral recovery (e.g., Personnel Orientation Course, Seminar on Code of Conduct, Seminar on Tax Fraud).<sup>8</sup> To hold regional directors accountable for the actions of their respective subordinates and thus push them to strongly admonish the latter not to engage in corrupt activities, then-Commissioner Guillermo Parayno issued an unnumbered memorandum on 21 October 2004 holding regional directors equally liable for whatever administrative sanction that may be imposed on erring revenue collection officers under their respective jurisdiction. In December 2005, the BIR signed a Memorandum of Agreement with the Presidential Anti-Graft Commission for the conduct of *Lifestyle Checks* in the agency.

Senior leaders also set and deploy short- and long-term directions and performance expectations. Revenue Memorandum Order (RMO) No. 6-2006 issued on 30 January 2006 by Commissioner Jose Mario C. Buñag prescribes the breakdown of the PHP 675.35 Billion collection target of the BIR for 2006. As can be gleaned from the said RMO, the Large Taxpayers Service and the nineteen (19) Revenue Regions are expected to generate 52.79 percent and 40.62 percent of the 2006 collection target.<sup>9</sup> The Revenue Regions of Makati, Quezon City, Manila, and San Pablo are expected to deliver almost 75 percent of the collection target of the entire revenue regions.

Senior leaders have specific responsibilities to prevent and detect corruption. Section 269 of the NIRC directs every official and employee of the BIR to report any violation of the NIRC or any fraud committed on the revenue collectibles of the agency. Section 11 of the same provides that it is the duty of all revenue district officers and other internal revenue officers “to ensure that all laws, rules and regulations affecting national internal revenue are faithfully executed and complied, and to aid in the prevention, detection, and punishment of frauds or delinquencies in connection therewith”. Chapter II of the agency’s Code of Conduct requires all officers and employees of the BIR to report employee misconduct, attempted bribery, unethical practices or misconduct of tax practitioners, violation of revenue laws, damage of official records and property to the Assistant Commissioner for the Inspection Service<sup>10</sup>.

## Next Steps

It is important that the authority and responsibility of senior leaders to prevent corruption (as required by Chapter II of the BIR’s Code of Conduct) be operationalized by capaciting them to discharge this critical function. The BIR must send most if not all their senior leaders (including those based at the regional and district offices) to anticorruption training programs. The Bureau may want to consider appointing more internal champions or advocates of anti-corruption efforts. They shall be responsible for the implementation and oversight of compliance with the Bureau’s anti-corruption policies and procedures. It is also a good practice to review management performance/effectiveness in preventing and detecting corruption to identify further areas for improvement.

---

<sup>7</sup> Section 5.A of BIR’s Code of Conduct provides that all Deputy Commissioners, Assistant Commissioners, Regional Directors, Assistant Regional Directors down to Section Chiefs are responsible for ensuring that proper information and guidance and on the Code of Conduct is disseminated to all employees.

<sup>8</sup> Lifted from the IDAP Progress Report of the BIR dated 28 February 2006.

<sup>9</sup> The remaining 6.59 percent shall be generated by the Office of the Commissioner.

<sup>10</sup> Per RAO 12-2000, the Inspection Service is expected, among others, to (a) conduct preliminary/fact-finding investigation and prosecution of administrative cases filed against revenue personnel; and (b) conduct hearing of administrative charges formally filed against erring revenue personnel.



## 2. Code of Conduct

A Code of Conduct sets out the standards of behavior expected of staff. It defines desirable behavior for all types of work in the agency. The existence of a Code of Conduct should not be seen as an end in itself. For the Code of Conduct to become an effective integrity enhancement measure, its form and content must be appropriate and relevant for the agency. The end goal of a Code of Conduct is to define the behavior of officers and employees and should therefore be communicated, promoted and taught to all personnel of the agency and integrated in the various aspects of its operation.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ The agency has a general Code of Conduct (RA 6713)</li> <li>▪ Disclosure is promoted by monitoring employees' compliance with annual submission of Statement of Assets and Liabilities and Net Worth (SALN) and Disclosure of Business Interest and Financial Connection.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ The agency has a customized Code of Conduct includes concrete examples of ethically acceptable/non-acceptable practices and situations of conflicts of interests relevant to the different types of work carried out by the agency.</li> <li>▪ The agency Code of Conduct is actively promoted inside the agency.</li> <li>▪ All employees undergo orientation on the agency's Code of Conduct and other training programs to strengthen commitment to public service.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The agency Code of Conduct is consistently enforced, with managers having clear tasks of promoting and monitoring compliance.</li> <li>▪ Violations of the Code of Conduct are sanctioned.</li> <li>▪ Rewards are given to employees who consistently exhibit behavior consistent with the agency Code of Conduct.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ The Code of Conduct has been integrated in key agency systems or mission critical functions. Applicable provisions of the Code of Conduct are included in contracts with external parties (e.g. suppliers).</li> <li>▪ Employees' record of adherence to or violation of the agency Code of Conduct is used as basis for promotion.</li> <li>▪ Disclosures of employees from SALN are analyzed and appropriate actions are taken.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ The agency Code of Conduct is regularly reviewed for effectiveness in specifying and promoting the desired behavior of employees and in preventing corruption.</li> </ul>

### IDA Rating of the National Office and the Three Regional Sites

The National Office, and the Revenue Regions of San Pablo and Davao were in agreement that the conditions required for levels 1 to 3 were all satisfied; hence a rating level of **3** was appropriate. However, Revenue Region No. 13, Cebu City did not agree with this rating and gave a lower rating of 2. The participants in Cebu felt that the 3<sup>rd</sup> bullet in level 3 was not attained. The said bullet entails that rewards be given to employees who consistently exhibit behavior consistent with the agency Code of Conduct. The Cebu participants agreed that rewards in the form of commendation are sometimes given but there is no systematic recognition of employees who comply with the Code of Conduct. There are no BIR regulations requiring management to give rewards, thus, the reward system is not institutionalized.



Code of Conduct	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	3	3	2	3	
Deployment Rating	50-60%	80%	100%	50-60%	
Validated Rating	3	3	3	3	3

The National Office, RR9 and RR19, which agreed on a rating level of 3, concluded that level 4 is not attained because the BIR does not regularly analyze disclosures in SALNs as required by bullet 3 of level 4 rating. The current practice is to analyze SALNs only if an employee is being administratively investigated.

### Validation/Team's Rating

The Assessment Team after validation and deliberation agreed that the agency merits a level rating of 3. The team's validation showed that BIR has complied with all the bullets mentioned in level ratings 1 to 3.

The agency does not only abide by a general Code of Conduct (RA 6713) but has developed a customized Code of Conduct (RMO 50-98) that covers ethically acceptable/non-acceptable practices and situations of conflicts of interests relevant to the different types of work carried out by the agency. All employees are required to undergo orientation on the agency's Code of Conduct. Latest data show that more than 98% of the BIR employees have attended seminars on the Code of Conduct. Moreover, this Code of Conduct is actively being promoted inside the agency and is consistently enforced as shown by the number of personnel charged with violations of the Code.

As regards the absence of an institutionalized reward system as alleged by participants in Cebu, the assessment team verified the existence of an awards and incentives program in the BIR. The said program is embodied in RMO 28-2004.

Lastly, the team has confirmed that the Code of Conduct as been integrated in the Bureau's key agency systems (e.g. Recruitment and Promotions) and mission critical functions (e.g. assessment and collection). However, disclosures made by employees in their SALNs are not analyzed as required under the 3<sup>rd</sup> bullet of level rating 4. Thus, the Bureau cannot yet claim an achievement rating of 4.

### Next Steps

The Bureau can proactively analyze disclosures of employees in their SALN and link these with internal lifestyle checks. It can consider institutionalizing the system of rewarding those who consistently follow the Code of Conduct and sanctioning those who violate it. Also, the Bureau can include applicable provisions of the Code of Conduct in contracts with external parties and disseminate it to clients.

### 3. Gifts and Benefits

Gifts and benefits are offered innocently or as bribes. Similarly, the recipient's work may place them in a situation where they could give or receive personal benefits, which might include preferential treatment, promotion or access to information. The acceptance of a gift or benefit can in some circumstances create a sense of obligation that may compromise the official/employee's honesty and impartiality. Agencies need to have policies and procedures in place to deal with gifts and benefits and also need to promote their policies and procedures to their staff/officials and clients.

A step in ensuring that agencies deal effectively with offers of gifts and benefits is to establish a registry of gifts (as is practiced in other countries) and ensure that all staff (and where necessary the community and clients as well) is fully aware of it. The registry should record information on the date, name of the person and/or organization offering the gift, name and position of the intended recipient, type and value of gift,



decision taken regarding what should happen to the gift. Gift registry can help enhance transparency and reduce tolerance to abuse.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ The agency has a written policy on solicitation and acceptance of gifts and benefits with relevant examples that is consistent with RA 6713.</li> <li>▪ The agency has written guidelines for donations.</li> <li>▪ The agency has a written policy on offer of bribes</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ The gifts and benefits policy is made known to all officials and staff, clients and suppliers of the agency.</li> <li>▪ The agency has a registry for gifts, donations, and institutional tokens.</li> <li>▪ All gifts and benefits received by the agency or through any of its officials and staff are documented in an official register.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The policies on acceptance of gifts and benefits and offers of bribe are consistently enforced, with managers having clear tasks of promotion and monitoring compliance.</li> <li>▪ The gifts and benefits received and documented are disposed of according to procedures defined in the agency policy.</li> <li>▪ Rewards are given to officials and staff who report offers of bribes.</li> <li>▪ Sanctions are applied to officials and staff who fail to comply with the policy on gifts and benefits.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ The registry of gifts is available for examination by internal and external stakeholders.</li> <li>▪ Bidding documents issued by the agency inform potential suppliers/contractors that gifts and benefits should not be offered to employees.</li> <li>▪ The gifts in register and reported bribes are regularly reviewed and examined vis-à-vis decisions and treatment of agency's stakeholders.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ The agency's policy on solicitation and acceptance of gifts and benefits is regularly reviewed for effectiveness.</li> <li>▪ Results of the review are considered in strengthening the gifts and benefits policy of the agency</li> </ul>

#### IDA Rating of the National Office and the Three Regional Sites

The IDA participants in the National Office and the three regional sites scored this dimension a rating of 1. They all agreed that the Bureau has a written policy on solicitation and acceptance of gifts and benefits, which is consistent with RA 6713. They also claimed that the agency's *Gifts and Benefits Policy*, which is part of the Code of Conduct of the BIR, has specific guidelines on the treatment of donations and offer of bribes.

Gifts and Benefits Policy	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	1	1	1	1	
Deployment Rating	70-80%	60%	50-60%	10-20%	
Validated Rating	1	1	1	1	1

The participants across all sites acknowledged that they could not merit a rating of 2 because the (a) Bureau's *Gifts and Benefits Policy* has not been widely disseminated to their clients (i.e., taxpayers) and suppliers; and more importantly, (b) the Bureau does not have a registry for gifts, donations, and institutional tokens.



### Validation/Team's Rating

The Assessment Team agrees that the Bureau merits a rating of 1 in Gifts and Benefits.

The Team has confirmed that the Bureau has a *Gifts and Benefits Policy*. This policy is explicitly provided in Section 32 of the agency's Code of Conduct. The Bureau has also issued Revenue Memorandum Circular No. 4-2001 prohibiting all officers and employees from receiving any gifts, fees or any valuable item in the course of their official duties. RMO 4-2001 allows the receipt of gifts subject to the following conditions: (a) the value of the gift does not exceed P2,500, and (b) the gift is given during special occasions (e.g. birthdays and Christmas).

In terms of enforcement, the Team has also validated that the Bureau had conducted several orientations on the Code of Conduct, which includes provisions on the solicitation and acceptance of gifts and benefits. But these orientations are limited to employees of the agency; no orientation was made to disseminate the Bureau's *Gifts and Benefits Policy* to its clients (i.e., taxpayers) and suppliers. As acknowledged by the IDA participants themselves, the Bureau has no gifts registry for gifts, donations, and institutional tokens.

### Next Steps

Though the Bureau already has its *Gifts and Benefits Policy*, there is a need to provide clearer guidelines on donations and offer of bribes. Gifts must be clearly defined in the policy, which specifies what is acceptable, what is not acceptable and what is a gift of nominal value. Some IDA participants in the regions do not consider institutional gifts (i.e., gifts given to the office and not to individual employees or officers) as gifts. A policy on gifts disposal may also be introduced to prescribe courses of actions in cases when returning the gift is impossible (e.g. the sender is anonymous, the gift is highly perishable). The Bureau can consider giving rewards to those who report offers of bribes.

The *Gifts and Benefits Policy* (including its enhancements) should be proactively and properly disseminated to all employees and communicated to all its clients and suppliers to ensure strict compliance. It is a sound practice to post the agency's *Gifts and Benefits Policy* in conspicuous places to forewarn clients and stakeholders of what is acceptable and what is not acceptable as far as gift giving is concerned. Finally, the Bureau should also consider having an official registry for received gifts, benefits and tokens. This will establish transparency in the acceptance of gifts and will make the employees feel that they do not owe gratitude to the givers, especially to those who have transactions with the Bureau (taxpayers, suppliers, etc.).

## 4. Human Resource Management

The recruitment process provides the agency an opportunity to screen incoming employees for likelihood of corrupt behavior and conflicts of interest. The agency should be wary of nepotism or favoritism and ensure merit-based procedures in recruitment and promotion of personnel. It is highly desirable that upon entry, relevant interventions for new recruits include orientation on the Code of Conduct and work standards and training on corruption prevention and risk management. The promotion system can provide opportunity for sanctioning corrupt behavior and rewarding people who comply with the agency's integrity measures.



The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>The agency has a written guideline for recruitment, selection, and promotion of personnel (e.g. Merit Selection/Promotion Plan following CSC guidelines).</li> <li>The agency has a Personnel Selection Board with rank and file career employee representative.</li> <li>The agency has complete set of job descriptions and qualification standards for all positions.</li> </ul>
2	<ul style="list-style-type: none"> <li>Guidelines for recruitment, selection, and promotion are disseminated to all employees.</li> <li>PSB members undergo orientation and workshop on the selection and promotion process, CSC policies on appointments, ethical considerations in making decisions on recruitment and promotion.</li> </ul>
3	<ul style="list-style-type: none"> <li>The policies/guidelines on recruitment, selection, and promotion are consistently enforced.</li> <li>The agency employs measures to prevent entry of corrupt employees (e.g. potential conflicts of interest are considered, background investigation conducted).</li> <li>The agency keeps records of meetings and decisions of PSB.</li> <li>Personnel appointments are issued based on the provisions of the agency Merit Selection Plan.</li> </ul>
4	<ul style="list-style-type: none"> <li>Basis of decisions on promotions and movements (deployment) of personnel that deviate from the recommendations of the Personnel Selection Board are documented.</li> <li>The agency conducts random checks of the process and decisions of the Personnel Selection Board.</li> <li>The agency has a post employment policy for resigning/retiring personnel.</li> <li>Blacklisting of erring personnel is practiced.</li> </ul>
5	<ul style="list-style-type: none"> <li>The outcomes of personnel recruitment, selection and promotion are regularly reviewed.</li> <li>The agency's Merit Selection/Promotion Plan is regularly reviewed for effectiveness in enhancing integrity and preventing corruption.</li> <li>Results of the review are used in enhancing the integrity of personnel recruitment, selection and promotion processes.</li> </ul>

#### IDA Rating of the National Office and the Three Regional Sites

The National Office and the three (3) regional sites all agreed that the IDA rating of the BIR for Human Resource Management is 3.

Human Resource Management	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	3	3	3	3	
Deployment Rating	70-80%	80%	50-60%	70-80%	
Validated Rating	3	3	3	3	3

The IDA participants agreed that the Bureau has complied with the minimum requirements [i.e., existence of written guidelines on recruitment and promotion, creation of the Personnel Selection Board (PSB)] of this dimension. In terms of deployment, all sites also agreed that the guidelines on recruitment and promotion have been disseminated to all employees and that the members of the PSB are properly trained, and thus competent to carry out their functions. They were also in agreement that the guidelines on recruitment and promotions are consistently enforced in the national and regional offices<sup>11</sup>; the Bureau employs measures to prevent entry of corrupt employees; and the decisions of the PSB are properly documented.

<sup>11</sup> One IDA participant in RR13 vehemently disagreed claiming that all his recommendees for promotion had been overturned or not followed by the National Personnel Selection Board.



The IDA participants in all sites also claimed that the decisions of the appointing authority (i.e., the Commissioner of the Regional Director) on recruitment and promotions as well as designations that deviate from the recommendations of the PSB are documented. They also agreed that they blacklist corrupt or erring officers or employees who have been dismissed from government service. Despite these strengths though, the IDA participants acknowledged that they could not merit a rating of 4 because they do not have a post-employment policy and that they do not randomly audit the decisions of the national and regional PSBs.

### **Validation/ Team Rating**

The Assessment Team agrees that the BIR merits a score of 3 (not 4) in Recruitment and Promotion.

The Team has validated that the recruitment, selection, and promotion of personnel in the Bureau follows written guidelines from BIR management, the Department of Finance, the Civil Service Commission (CSC) and the Department of Budget & Management. The recruitment and promotion system at the National Office and the Regional Offices is defined in several issuances such as RMO No. 10-96 (Policies and Procedures in Appointment Preparation); RMO No. 25-2003- Prescribing the Policies and Guidelines on the Selection of Candidates for Promotion; and RMO No. 4-2005 re: Recruitment and Selection Process. The PSB is in place: the National and Regional Selection Boards regularly convene to deliberate on the most qualified candidates to fill-up vacancies in their respective jurisdictions<sup>12</sup>. The composition and functions of the PSB has been prescribed by RMO No.3-93 and RMO 16-94. It has also been validated that the Bureau has complete set of job descriptions and qualification standards for all positions.

Guidelines for recruitment, selection and promotion are disseminated to all employees through revenue memorandum orders. In addition, HR-related memoranda are provided to all concerned offices. List of vacant positions and appointments are posted in the bulletin boards as well as in the BIR website. The PSB members undergo orientation/workshop on the selection and promotion process, CSC policies on appointments, as well as ethical considerations in making decisions on recruitment and promotion. Revenue Special Order No. 416-2005 shows that Deputy Commissioners, Assistant Regional Directors, and Assistant Commissioners (being members of the PSB), Personnel Division Officials and staff, and the Heads of the Human Resource Management Units of the regional offices were directed to attend one of these orientation seminars. The Human Resource Development Service and Personnel Division officials and staff regularly attend CSC meetings for HRMOs. The Regional HRMUs also participate in CSC meetings concerning recruitment, promotion and leave administration policies.

On the claim that the policies/guidelines on recruitment and promotion are consistently enforced, there are documents presented by the Personnel Division showing that the Bureau had turned down political recommendations. The Team has also validated that the Bureau employs measures to prevent entry of corrupt employees by requiring clearances from the NBI, PNP and, NICA; and, conducting verification from previous employers and/or schools graduated, CSC and the Professional Regulatory Commission (PRC). The BIR keeps records of meetings and decisions of the PSB. These are also well documented. Personnel appointments are issued based on the provisions of the BIR Merit Selection Plan approved by the CSC. This is supported by RMO No. 39-93.

### **Next Steps**

---

<sup>12</sup> The Regional Director has appointing authority for employees with salary grades 11 and below. The Commissioner appoints all region and district employees with salary grades 12 and above.



A more through background investigation of applicants (to cover business and financial interests, personal history, etc.) may be conducted and Personnel Inquiry Division may do this. Recommendation letters from politicians should not be included in the documents for evaluation of PSB to preserve objectivity of the process. The Bureau may consider decentralization of hiring and or promotion of other personnel positions (up to SG 19).

Random checks of the process and decisions of the national and regional PSB should be conducted. The Bureau must also come up with a post-employment policy for resigning/retiring personnel and a clear-cut policy and synchronize rotation of Revenue Officers.

## 5. Performance Management

A key aspect governing the relationship of the managers and employees of an agency is the divergence of individual interests with that of the organization. An effective way to align individual and organizational interest is to clarify the agency's vision, mission and goals set individual targets based on the agency's goals.

Performance management ensures that agency goals are met since regular monitoring can increase the likelihood of spotting unproductive activities of employees. Efficient and effective units or agencies do not only save time and resources, but they are more resistant to corruption. Performance management can also address possible negligence at duty. A performance management system that sets incentives for honest behavior and disincentives for unethical behavior contributes to building resistance to corruption.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ The agency has set organization goals, targets and performance indicators.</li> <li>▪ Performance targets and work plans at the unit and individual levels are based on these goals.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ The agency has a performance management and evaluation system in place.</li> <li>▪ Managers and supervisors are trained on performance evaluation and management</li> <li>▪ The basis of performance monitoring and evaluation are made known to all employees.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The agency regularly prepares reports (e.g. annual report, agency performance report) to assess accomplishment of its goals and targets.</li> <li>▪ The agency regularly evaluates individual performance. Individuals are made to report on their accomplishments vis-à-vis goals and targets.</li> <li>▪ The agency consistently rewards good performance and sanctions poor performance and negligence of duty.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ The agency links staff performance ratings with the attainment of their unit's targets and level of performance.</li> <li>▪ Levels of agency/individual performance are analyzed to relate with corruption incidence in the agency.</li> <li>▪ Agency annual reports made available to the public to account for what the agency has accomplished vis-à-vis its targets and disclose what it plans for the future.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ The agency regularly reviews the effectiveness of its performance management system in enhancing integrity and preventing corruption.</li> <li>▪ Results are used to improve the agency's performance evaluation and management system.</li> </ul>

### IDA Rating of the National Office and the Three Regional Sites



The IDA participants in the four (4) Review Sites all agreed that the Bureau merits a rating of **3** in Performance Management. They reasoned that the Bureau has goals and targets, which serve as bases in coming up with unit as well as individual work plans and targets. The IDA participants across all review sites also agreed that the performance management and evaluation system is in place in Bureau, its guidelines are disseminated to all employees; and managers and supervisors are properly trained, and thus competent to carry out the function to monitor and assess agency, unit, and individual performance.

In terms of enforcement, the IDA participants also claimed that the Bureau regularly prepares reports to

Performance Management	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	3	3	3	3	
Deployment Rating	70-80%	60%	70-80%	70-80%	
Validated Rating	3	3	3	3	3

assess unit and agency performance vis-à-vis goals and targets. At the level of the individual employee, the participants agreed that employee performance are evaluated regularly and that the results of such evaluation are used as basis in providing incentives (e.g. higher productivity bonus) for good performance and disincentives for poor performance or negligence of duty.

Although the participants claimed that the Bureau's annual reports are made available to the public, they acknowledged that the analysis of individual performance to explain (1) the attainment or non-attainment of the targets of the unit/office, and (2) corruption incidence in the Bureau is not yet being done; thus, a rating of 4 is not warranted.

### Validation/Team's Rating

The Assessment Team agrees with the IDA participants that the Bureau deserves a rating of **3** in Performance Management.

The Team has validated through RMO 6-2006 and RMO 2-2005 that the Bureau set organizational, unit, and individual performance targets<sup>13</sup>. The Bureau's Performance Management System (PMS), which was institutionalized through RMO 29-2004, is being enforced in the agency<sup>14</sup>. The PMS has been disseminated to all employees<sup>15</sup>. By examining evaluation matrices used in PSB deliberations, the Team has also validated that the results of the performance assessment is used as basis in human resource management decisions such as promotion, transfer, training, and development. The same is also used as reference in the grant of performance-based salary step increment and for other incentives and rewards that may be provided under the approved Program on Awards and Incentives for Service Excellence (PRAISE) per RMO No. 28-2004<sup>16</sup>

An Annual BIR Report is prepared and printed out during the first half of the year for distribution to the public. The Report shows the Bureau's Collection Performance, the Major Accomplishments per Work

<sup>13</sup> In addition to the two RMOs, the following documents have also been examined: (1) Sample of Comparative Collection Performance Report (from RR Nos. 9 and 19) and Accomplishment per Work Program (RR No. 19); (2) Sample of CY 2004 BIR Annual Report and Status of Work Programs as indicated in the Blueprint 2004-2010 (National Office); and (3) Accomplished BIR Performance Management Form (RR Nos. 9, 13, 19, and LTS)

<sup>14</sup> The Team also learned that the Bureau's performance assessment consists of two (2) parts: Part I - Performance (70%) and Part II - Behavioral Dimensions (30%).

<sup>15</sup> See Revenue Special Order Nos. 154-2005, 155-2005, 156-2005 dated April 20, 2005 re: Orientation-Seminar on Performance Management System, and 46-2005 dated February 9, 2005 re: Symposium on Performance Evaluation System (NO).

<sup>16</sup> Also see BIR Centennial Anniversary Celebration Memorandum Order No. 4-2004 re: Search for Model Employee for CY 2004 and score sheet for the search for the 2005 BIR Model Employee.



Program, and the Future Directions of the Agency. The Team agrees with the IDA participants that the first two requirements to attain level 4 in performance managements have not been satisfied. The Bureau does not conduct analysis on levels of agency/individual performance vis-à-vis corruption incidence in the agency.

### Next Steps

In order to have a more effective and efficient performance evaluation in relation to enhancing integrity and preventing corruption, the Bureau may consider strengthening the standards in rating the behavioral dimensions (Part II of RMO No. 29-2004) of performance which include: (a) human relations, (b) dependability, (c) work attitude, (d) stress tolerance, (e) punctuality and attendance, and (f) leadership; analyzing the Bureau/individual performance vis-à-vis corruption; tightening the linkage between rewards and performance; and immediately implement the Attrition Law.

The Bureau may need to further clarify individual targets and give feedback on their performance regularly.

## 6. Procurement Management

The procurement system covers the process of purchasing goods and services. A poorly managed procurement system open risks of corruption and wastage of resources due to poor quality of goods and overpricing. Risk factors include conflicts of interest, bribery, extortion by public officials, non-compliance with procedures, and lack of information on standard prices. For this reason, the code requires procurements officers and members of the Bids and Awards Committee (BAC) to disclose conflicts of interest and prevents them from receiving gifts and benefits from suppliers.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>The agency has adopted the new procurement management system (RA9184).</li> <li>The agency has an Annual Procurement Plan.</li> <li>Third party observers are invited to witness procurement process (e.g. bidding evaluation, delivery and inspection of goods).</li> </ul>
2	<ul style="list-style-type: none"> <li>The agency has written procedures on different modes of procurement, and checkpoints for receiving and inspection of goods and services procured.</li> <li>Members of the BAC and other relevant personnel are trained on the new procurement law, and the different modes and processes of procurement.</li> <li>BAC members are made to disclose potential conflict of interest in all transactions.</li> <li>The agency has a centralized database on prices and suppliers of frequently procured items.</li> </ul>
3	<ul style="list-style-type: none"> <li>BAC decisions and processes are well planned and documented.</li> <li>The agency strictly monitors performance of suppliers and contractors against obligations e.g. adherence to budget, price, time factors and quality standards.</li> <li>Sanctions/penalties are applied for non-performing suppliers.</li> </ul>
4	<ul style="list-style-type: none"> <li>Blacklisting of suppliers/contractors is practiced and shared to other government agencies.</li> <li>Agency estimates are reviewed to reflect current/best market prices from Government e-Procurement Service. Controls are instituted to ensure that specifications are not skewed or tailor-fitted to favor specific bidders.</li> <li>Code of conduct integrated in bidding documents.</li> <li>BAC decisions and other procurement decisions and outcomes are audited.</li> </ul>
	<ul style="list-style-type: none"> <li>The agency plans its procurement based on its pattern of purchasing and consumption.</li> <li>The agency regularly evaluates the effectiveness of its procurement management system in</li> </ul>



5	enhancing integrity and preventing corruption. <ul style="list-style-type: none"> <li>Results are used to strengthen the agency's procurement management system.</li> </ul>
---	---

### IDA Rating of the National Office and the Three Regional Sites

The National Office and RR13 scored this dimension a rating of 4. RR9 disagreed giving a score of 1. RR19 believed that the Bureau did not even satisfy the minimum requirements and gave a rating of 0.

Procurement Management	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	4	1	4	0	3
Deployment Rating	70-80%	50-60%	70-80%	10-20%	
Validated Rating	3	0	3	0	

The IDA participants of all four-review sites agreed that the Bureau has adopted the new procurement system as embodied in RA 9184. They also claimed that the Bureau prepares an Annual Procurement Plan in accordance with the new Procurement Law. RR19 reached a consensus rating of 0 because they believed that they failed to satisfy the minimum requirement to invite third party observers to witness the procurement process. They argued that there was no reason for them to invite third party observer because of the minimal amount<sup>17</sup> involved. RR19, RR13, and the National Office believed that the Bureau has satisfied all three minimum requirements. In fact, the latter two claimed that procurement management system in the Bureau had attained a high degree of maturity, thus meriting a score of 4.

### Validation/Team's Rating

The Assessment Team does not agree to either of the four review sites. While the Team believes that rating is at least higher than 1, it disagreed with the very optimistic assessment that the procurement system has been integrated in other key systems of the Bureau. The Team gave the Bureau a score of 3 in procurement management.

The Team has validated that the National Office and all participating revenue regions have adopted R.A. No. 9184 and translated it to written procedures and or flowcharts<sup>18</sup>. Offices within the Bureau submit their respective Annual Procurement Plans. The Bureau also utilizes the Procurement Service of DBM as benchmark in pricing and database, aside from their list of suppliers/contractors.

The Team discovered in RR19 that the bidding process applied is more of the *shopping* method of procurement rather than the *competitive* bidding—where they request for the submission of three (3) quotations from identified suppliers and award it to the supplier with the lowest price bid. They apply this method for “readily available off-the-shelf goods or ordinary/regular equipment”<sup>19</sup>. Thus, the invitation of third party observers was not necessary. RR19 thus erred in giving the Bureau and the regional office a low rating of 0. On the other hand, RR9 committed the mistake of assigning a high score of 4. The Team learned that the third party observers invited by RR9 were from the Commission on Audit and not from an organization duly registered with the Security and Exchange Commission (R.A. No. 9184, Section 13.2).

In the National Office, validation documents show that the Bureau monitors the performance of its supplies/contractors' performance; and blacklists and applies sanctions (e.g. forfeiture of performance bond)

<sup>17</sup> On the average, the amount involved is PhP1,500.00.

<sup>18</sup> The procurement flowchart of RR19 though is different from that of the National Office.

<sup>19</sup> For sample items, refer to Table 6.c.1 Annual Procurement Plan.



to non-performing suppliers/contractors. However, the documents do not show how blacklisted suppliers/contractors are shared to other government agencies.

The Team has also validated that the National Office conducts regular audits but these audits are limited to compliance and systems audit of materials, forms, supplies, equipment and contracts (IT and regular) from August 30, 2002 to October 31, 2004. Auditing of the decisions of the BAC is not practiced. The Team also agrees that there is no evidence to show that the Code of Conduct is integrated in bidding documents.

### Next Steps

The Assessment Team suggests the following:

- That all BAC members and other relevant personnel in all regions be trained on the R.A. No. 9184;
- That the written procedures prepared in the National Office be disseminated to all regions to improve consistency (e.g. whether to invite third party observers or not; inclusion of Code of Conduct in bidding documents; establishment of suppliers/contractors database);
- That a standardized system in blacklisting and how to share it to other government agencies be established;
- That the Internal Audit Division be given the authority to audit BAC decisions and other procurement decisions and outcomes to ascertain whether or not the results are consistent with established objectives;
- That the Internal Audit Division be given the authority to evaluate the quality of performance of BAC and Procurement Division in carrying out assigned responsibilities.

## 7. Financial Management

Any financial transaction is generally vulnerable to corruption. Issuing and receiving payments represent a significant temptation for opportunistic and potentially corrupt individuals especially if the transaction is in cash. While cash taking might represent only low value in terms of individual transactions and be only a small proportion of an organization's budget, they can represent quite considerable amounts of money annually. Even under a situation when funding is inadequate, profligate use of finances can happen due to loose controls, arbitrary setting of budgets and misallocation.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ The agency adopts the prescribed government budgeting and accounting guidelines such as the New Government Accounting System (NGAS), DBM Budget Guidelines.</li> <li>▪ The agency has established control systems to ensure that its financial resources are protected.</li> <li>▪ Financial accountabilities are defined.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ Budgeting and accounting guidelines are disseminated to all concerned units.</li> <li>▪ The agency takes proactive steps to make all employees are aware of their obligations not to use agency's resources for private purposes</li> <li>▪ Management and relevant personnel are trained on budgeting, accounting, and financial management</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The agency strictly/consistently enforces budgeting and accounting policies and guidelines (e.g. immediate liquidation of cash advances, etc</li> <li>▪ The agency regularly prepares financial reports, containing actual expenditures vs. budget and explanation for variance, statement of income vs. target collection and explanation for variance, etc.</li> </ul>



	<ul style="list-style-type: none"> <li>▪ The agency provides full audit trail for major financial transactions. Random audits are carried out, with reports and recommendations for action provided to management</li> <li>▪ Reconciliation is regularly conducted. Appropriate follow up action are taken on any findings as maybe necessary.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ Computer systems have been integrated and provided with security (access codes) to ensure that fraud and other financial risks are managed and minimized.</li> <li>▪ COA audit findings are immediately acted upon by management.</li> <li>▪ The agency's financial reports are published/made available for public inspection. COA audit findings are made available to the public.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ Financial controls/systems are regularly reviewed to ensure effectiveness in preventing fraud.</li> <li>▪ Results of review are used to strengthen the agency's financial management system.</li> </ul>

### IDA Rating of the National Office and the Three Regional Sites

The IDA participants in the National Office, RR9 and RR13 all agreed that the rating of the Bureau in financial management is 3. Only RR19 thought that the Bureau deserved the highest possible score of 5.

Indicators in levels one to three were achieved by the National Office and RRs 9, 13 and 19. On level one,

Financial Management	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	3	3	3	5	
Deployment Rating	70-80%	50%	70-80%	70-80%	
Validated Rating	3	3	3	3	3

there was a memorandum on the NGAS implementation, accountable officers are bonded and Memorandum Receipts are issued for property and equipment. As far as level two is concerned, there was a memorandum issued on austerity measures and the existence of a customized Code of Conduct plus certificates of training while on level three, financial and reconciliation statements were submitted and demand letters are issued for unliquidated cash advances.

As determined during the focus group discussion, the second and third indicators under level 4, i.e., COA audit findings are immediately acted upon by management and agency's financial reports / COA audit findings are made available to the public, are considered the Bureau's strengths.

On the other hand, there is perceived weakness in the immediate liquidation of cash advances. COA Circular No. 97-002 dated 10 February 1997 restated, with amendments, the rules and regulations on the granting, utilization and liquidation of cash advances and Item 5.1 of said issuance details the period of liquidation depending on the type of cash advance. It likewise discusses the sanctions for non-liquidation within the prescribed period and these include the withholding of the employee's salary.

There is also perceived weakness on bullet 3 of level 3, i.e., random audits are carried out, with reports and recommendations for action provided to management

### Validation/Team's Rating

Although RR 19 – Davao City placed this dimension at level 5, subsequent validation showed that the highest possible rating is at level 3 since the first indicator under level 4 is not present, i.e., computer systems have been integrated and provided with security (access codes) to ensure that fraud and other financial risks are managed and minimized.



The Bureau has several computerized systems and there were efforts to integrate them but they had to suspend its Financial Management Information System under the Integrated Tax System.

Under COA Circular No. 2001-003 dated 2 October 2001, the Commission on Audit (COA), then in the process of revising the government accounting system, advised all government agencies and instrumentalities to put on hold their individual projects on computerization related to accounting and/or financial management information systems to forestall duplication of efforts, wastage of resources and avoid the proliferation of disparate systems.

Consequently, in its Circular Letter No. 2001-23 dated 10 October 2001, the Department of Budget and Management issued guidelines enjoining government agencies with on-going projects to either seek the express approval from COA in case of on-going projects or to suspend new or proposed projects until the completion of the revised government accounting system by COA.

Nevertheless, the following computerized systems are being used by the Accounting Division: Electronic New Government Accounting System; BIR Payroll System; Electronic Filing and Payment System; Electronic Remittance Module; Central Database Facility; and Foxplus programs generating the Statement of Accounts Payable, Quarterly Charges of Accounts Payable and Aging of Accounts Payable.

### **Next Steps**

During the focus group discussion, it was learned that the Internal Audit Division (IAD) performs its fiscal audit functions. At present, the IAD plans its audit based on compliance and performance reports of concerned offices. However, it is preferable that the risk-based audit approach (RBAA) be utilized in prioritizing the conduct of its audits. It is therefore recommended that key internal audit personnel should undergo formal relevant RBAA training so that the latest audit methodology would be employed in the conduct of their audit. Said personnel will then echo what they have learned to the rest of the IAD staff.

The IAD may include in their annual audit plan a regular review of the financial controls/systems to ensure effectiveness in preventing fraud/e-corruption and the results may be used in strengthening the financial management system. The Finance group or the training arm of the Bureau may conduct an awareness program on the financial system to all employees to enable them to recognize irregularities.

Since the Philippine Constitution vests upon the Commission on Audit the exclusive authority to promulgate accounting and auditing rules and regulations and considering that the e-NGAS is being rolled-out to all government agencies, the desired integration of computerized systems would just be a matter of time.

## **8. Whistleblowing, Internal Reporting and Investigation**

Whistleblowing should be encouraged in every agency, as it is one of the fastest ways of detecting corruption though admittedly it is one of the most difficult things officials and employees can do. Many times reporting has led to harassment of the whistleblower, or worse, complete reversal of the case where the whistleblower becomes the offender. Incentives and protection are therefore necessary to encourage employees to report corrupt behavior or practices. Protected disclosures and easy procedures for internal reporting and a good witness protection scheme should be established within the agencies.

This dimension aims to promote an environment that is conducive for reporting and investigating corruption in agencies. The objective is to make it easier for employees to report corrupt behaviors that they observe.

The rating scale for this dimension is as follows:



Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ The agency has a written policy or guideline on internal reporting and investigation of information and reports of corruption or unethical behavior.</li> <li>▪ The policy or guideline specifies what constitutes corrupt and unethical behaviors, the procedures and responsibilities for reporting. Roles and responsibilities of staff involved in investigation are clearly defined.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ The agency disseminates the policy on internal reporting and investigation to all employees.</li> <li>▪ Employees are trained on how to report corruption.</li> <li>▪ Relevant personnel receive training in the handling and investigating reports of corruption.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The agency initiates investigations of reported corruption and tracks complaints/cases until final action is taken.</li> <li>▪ The agency keeps full and complete record of all reports.</li> <li>▪ The agency protects employees who report corrupt behavior/suspicious of corruption.</li> </ul> <p>The agency protects the rights of suspected individuals when investigating reports of corruption.</p>
4	<ul style="list-style-type: none"> <li>▪ The agency regularly monitors progress and outcomes of every investigation.</li> <li>▪ The agency imposes appropriate sanctions to erring employees and officials.</li> <li>▪ The agency reviews and analyzes reports and statistics on incidence of corruption to identify patterns, which could indicate weaknesses of the system.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ The agency regularly assesses the effectiveness of the internal reporting and investigation system in enhancing integrity and preventing corruption.</li> <li>▪ Results of the review are used to strengthen management systems and enhance internal reporting and investigation processes.</li> </ul>

#### IDA Rating of the National Office and the Three Regional Sites

The IDA participants of the National Office, RR9, and RR19 believed that the minimum requirements have been complied with and thus gave the Bureau a score of 1 in Whistleblowing. RR13 thought otherwise, arguing that the Bureau has no written policy on whistleblowing or internal reporting.

#### Validation/Team's Rating

Whistleblowing, Internal Reporting and Investigation	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	1	1	0	1	
Deployment Rating	70-80%	60%	-	10-20%	
Validated Rating	1	1	1	1	1

The assessment team agrees with the three offices (National Office, San Pablo, Davao) in giving the agency a rating of 1.

The Team has validated that there is a guideline on whistleblowing incorporated in the Bureau's Code of Conduct for Officers and Employees, which was approved by then Commissioner Liwayway Vinzon-Chato and implemented on June 1, 1998 through the issuance of RMO No. 50-98. Chapter II of the Code provides guidelines in reporting allegations or information of employee's misconduct, attempted bribery, unethical practices or misconduct, law suits related to official duties, violations of revenue laws, loss or damage of official records and property. Chapter VIII of the said Code provides for the scope of grievance mechanism, grievance procedures, composition of the grievance committee, and responsibilities.

The Bureau has an office in-charge of receiving and investigating reports of misconduct (Inspection Service).



## Next Steps

The Bureau may need to provide specific guidelines on how whistleblowers will be protected and suspected violators' rights will be respected to prevent harassment. It may consider giving incentives to encourage internal reporting. Expedient investigation and fast resolution of cases will encourage more personnel to report. The policy and enhancement must be widely disseminated/deployed and understood, especially in the regions.

The Bureau should train relevant personnel in the handling and investigation of corruption. Its employees should also be trained on how to report corruption.

## 9. Corruption Risk Management

Corruption risk management is the first step required for a systematic response to corruption vulnerabilities. It includes risk assessment, which is an important management tool in detection and prevention of corruption. It provides a systematic scrutiny of an organization's operations, systems, and performance that can lead to identification of risks and opportunities for corruption.

There is a tendency for an agency to be reactive in its assessment. And even assessments are not enough. The agency should be proactive and device a plan for managing risks. Fraud and other forms of corruption may be avoided if the agency regularly undertakes an implementable corruption risk management plan. In this plan, the agency can identify its high-risk functions, source the risks identified, and outline steps in controlling them.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ The agency recognizes the role of internal audit in the prevention and detection of fraud and corruption.</li> <li>▪ The agency has identified its high-risk operations and functions.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ The agency proactively undertakes assessment of corruption risk areas.</li> <li>▪ Relevant personnel are trained on corruption risk assessment and corruption prevention planning.</li> <li>▪ Results of risk assessment are reported to management. Corruption and fraud risks identified are made known to employees.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The agency develops and implements a corruption risk management/corruption prevention plan to address identified risks.</li> <li>▪ Time and resources are allocated, and managers are given clear tasks of implementing and monitoring the corruption risk management plan.</li> <li>▪ Employees are encouraged and rewarded for identifying responses to corruption risks.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ The agency's corruption prevention plan is supported/integrated in the strategic plan and other management plans. [IDAP]</li> <li>▪ Corruption prevention focus is incorporated in management functions, policies, systems and procedures of the agency.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ The agency's approach on corruption risk management is regularly reviewed for effectiveness in detecting and preventing corruption.</li> <li>▪ Results of evaluation are used to enhance integrity measures/corruption prevention strategies of the agency.</li> </ul>



### IDA Rating of the National Office and the Three Regional Sites

The IDA participants at the National Office and the Revenue Regions 9, 13 and 19 all arrived at a consensus rating of level 1. Although there were slight differences in their initial ratings, they easily agreed that the two (2) bullets of 1 are present.

In particular, they were in agreement that the BIR has recognized the role of internal audit in the prevention and detection of fraud and corruption. They cited Revenue Administrative Order No. 12-2000 creating the Inspection Service, which included the Internal Audit Division. As for the Regions, they cited the RMO No. 9-99, which created the Regional Internal Audit Teams (RIAT).

They were also in agreement that the agency has identified its high-risk operations and functions. They explained that although there is no single document which lists these high-risk operations and functions, they are identified in RAO No. 12-2000 and RMO No. 9-99 and in other issuances which addressed certain risks like the adoption of controls on Letters of Authority (LA), the use of Accredited Agency Banks (AABs), electronic filing, etc.

The participants did not rate themselves level 2 in this dimension mainly because of bullet 2 of the said level. In most, if not all, of the IDA sessions, there was discussion on whether this bullet has been achieved.

At the National Office, the participants initially agreed that relevant personnel were trained on corruption risk management and corruption prevention planning mainly because the Head of the Inspection Service has undergone several trainings. They reconsidered with the admission of the Head of the Inspection Service that the trainings she has attended may not be enough to comply with the above-mentioned bullet. At the Revenue Regions, the participants agreed that even though there were some training for relevant personnel, they are not enough and are mostly non-formal.

In addition, the participants in the IDA sessions, particularly in the National Office, agreed that they have achieved bullet 1 of level 4. They pointed out that the Bureau's corruption prevention plan, in particular the Integrity Development Action Plan (IDAP), has been incorporated and integrated into its strategic and other management plans, and thus should be considered as a strength.

### Validation/Team's Rating

Corruption Risk Management	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	1	1	1	1	
Deployment Rating	50-60%	60%	70-80%	50-60%	
Validated Rating	1	1	1	1	1

After due validation, the Assessment Team also arrived with the consensus rating of level 1 for the Bureau on the dimension. Validation showed the existence of RAO No. 12-2000 which created the Inspection Service including the Internal Audit Division and RMO No. 9-99 which created the RIAT. Validation also showed the continuing operations of both the Internal Audit Division and the RIATs as shown by their work programs/ accomplishment reports including audits on cash and non-cash accountabilities of all collection and accountable officers, the management of delinquent accounts, post audit review of special permits like Authority To Release Imported Goods (ATRIG), spot check/audit of non-cash accountabilities such as Letters of Authority (LAs), etc.

The Assessment Team also observed that there seems to be a general agreement within the Bureau of what are their high-risk operations and functions although these are reflected not in a single document but in many issuances addressing such risks mentioned above.



The Assessment Team also agrees that the corruption prevention plan of the Bureau has been integrated in its strategic and management plans. In particular, the Integrity Development Action Plan (IDAP) of the Bureau has been made part of the agency operations plan for 2006, which was provided to the Team by the Bureau's Planning Division.

### Next Steps

It is the observation of the Assessment Team that even though there is a general agreement on what are the high-risk operations and functions of the Bureau, they were not the result of a comprehensive risk assessment. The Head of the Bureau's IAD in fact pointed out that the targets of their audits are not identified in response to a comprehensive risk assessment mainly because there are no personnel, including those in the IAD, adequately trained to do so. The Assessment Team therefore considers the conduct of training on corruption risk assessment and prevention planning as one of the next steps for the Bureau. After the conduct of the above-mentioned training, the next step would be to proactively assess corruption risk areas. This can be done through the annual conduct of a corruption risks assessment spearheaded by the IAD with the participation of all managers of the Bureau. The results of the assessment should be documented, made known not only to the leadership of the Bureau but to all managers and stakeholders, and should be the basis of the work program/plan of all offices concerned for that specific year. All employees should be informed of their roles and accountabilities in the corruption risk management plan.

The Bureau's IDAP/corruption prevention plan should be reviewed/enhanced to take into account the corruption risk areas identified in the survey and CVA. Also, it should review the effectiveness of its anti-corruption programs and measures vis-a-vis reported incidence of corruption.

### 10. Interface with External Environment

Corruption incidences within an agency normally involve an external party. Agencies should effectively manage their external environment to contain corruption. Management of external environment includes promoting the agency-established process of doing business, clarifying condition of engagements, and responding to the needs of the clients.

The rating scale for this dimension is as follows:

Rating	Levels of Achievement
1	<ul style="list-style-type: none"> <li>▪ The agency has established an information system to inform the public of its services, policies, rules and procedures.</li> <li>▪ The agency has a policy on disclosure of information to the public.</li> </ul>
2	<ul style="list-style-type: none"> <li>▪ The agency proactively disseminates information on its services, policies, systems and procedures to the transacting public. Procedures for frontline transactions (that includes standard processing time, fees, persons responsible, specification of the transacting area, etc) are posted in public areas.</li> <li>▪ The agency employs systems to avoid long queues and prevent "facilitators" of transactions.</li> <li>▪ Employees are given training on how to interact with clients/stakeholders in appropriate and ethical manner.</li> </ul>
3	<ul style="list-style-type: none"> <li>▪ The agency has mechanism to check that the published rules, procedures, and standards are being met (e.g. client complaints/feedback mechanisms)</li> <li>▪ Relevant personnel are given training on how to handle and resolve complaints.</li> <li>▪ Managers monitor compliance with service standards.</li> </ul>
4	<ul style="list-style-type: none"> <li>▪ The agency has full and complete record of complaints and feedback from clients, and</li> </ul>



	<p>how these were resolved.</p> <ul style="list-style-type: none"> <li>▪ Complaints and feedback from clients are analyzed to identify possible incidence of corruption.</li> <li>▪ Records of releases of information are examined.</li> </ul>
5	<ul style="list-style-type: none"> <li>▪ The agency regularly reviews its system of managing interface with external environment for effectiveness in preventing corruption.</li> <li>▪ Results of evaluation are used to strengthen policies/systems on disclosure of information/dealing with external parties.</li> </ul>

### IDA Rating of the National Office and the Three Regional Sites

The IDA participants at the National Office, Revenue Region 9, and Revenue Region 13 gave a score of 3 for they all believed that they have complied with all the bullets required up to this scale. They asserted that the agency has an established information system to inform the public of its services, policies and procedures. They also stressed that the agency has a policy on disclosure of information to the public. They also claimed that there is a proactive dissemination of information as to its services, policies, systems and procedures to the transacting public. That as to the procedures and other work processes being posted in public places, they claimed that in the BIR every office is required to post its work flowchart in a conspicuous place for the information and guidance of all its stakeholders. They also claimed that the agency employs systems to avoid long queues and prevent “facilitators” of transactions. Likewise, the agency gives training on how to interact with clients/stakeholders in appropriate and ethical manner. To merit rating 3 they claimed that their agency has a mechanism to check that the published rules, procedures and standards are being met; that relevant personnel are given training on how to handle and resolve complaints; and that managers monitor compliance with service standards.

However, the IDA participants of Revenue Region 19 gave a higher score of 4. The participants in this region claimed that they have a full and complete record of complaints and feedback from their clients, likewise with the ways of resolving the same. They also claimed that these complaints and feedback are analyzed to identify possible incidence of corruption. Aside from these, they also claimed that information are being examined before these are being released.

### Validation/Team’s Rating

Interface with the External Environment	National Office	RR9 (San Pablo)	RR13 (Cebu)	RR19 (Davao)	Assessors Rating
Agency Rating	3	3	3	4	
Deployment Rating	50-60%	60-80%	50-60%	50-60%	
Validated Rating	3	3	3	3	3

Upon validation of the claims of the IDA participants it was found out that documents really exist to support their claim. As to bullet 1 of level 1, there is the RAO No. 6 – 2000, which defines the organization and functions of the Taxpayer Assistance Service, and all the divisions under it. This Service is mainly tasked to perform staff, advisory and consultative functions relative to taxpayer’s service, information and education, taxpayer record update and registration processes and improvement. It also maintains customers’ feedback mechanism, conduct studies on new service requirements of taxpayers. It is also tasked to coordinate with external parties including professionals, industry and business associations and other organizations and all other units of the government in improving services and providing information to taxpayers and the general public. As to the policy on disclosure of information to the public, it is well taken cared of by Section 270 & 278 of the NIRC.

As for compliance with the bullets of level 2, the BIR has a well published procedures and flowcharts, which are posted in each of the offices in the selected sites. The BIR on Wheels (BOW), the filing centers at places



often frequented by people (malls, city hall, banks), the different e-services being in place in the BIR and the RMO on Substituted Filing are just few examples of the systems that the BIR employs to avoid long queues and to make transacting with BIR more convenient to its stakeholders. As to the employees being trained specifically on how to interact with clients, the BIR has just been granted an aid from the World Bank to conduct a nationwide Taxpayers Excellence (TSE) Program.

As to level 3, the Integrated Tax Systems is one mechanism of the agency being employed to check that the published rules, procedures and standards are being met (Case Monitoring System, Returns Processing System, Collection and Bank Reconciliation System). Likewise the client complaints/feedback mechanism, which is being undertaken by the BIR Contact Center and the Taxpayer Information & Education Division, attest to the existence for such mechanism. The course Outline of the Taxpayers Service Excellence shows a summary of the modules being taught in the seminar. The Taxpayer Service Program and Monitoring Division under TAS performs the task of monitoring compliance with service standards of offices dealing with the taxpaying public. In addition, the Bureau implemented the RATE (Run After Tax Evaders) program that sends a strong signal to taxpayers regarding its seriousness in pursuing tax evaders. Thus there is really a mechanism of checking whether standards, rules, procedures are being implemented and met.

With the foregoing validation, the assessors gave the BIR a rating of 3. With respect to the rating of 4 as claimed by RR 19, the documentation for all the bullets fall short to prove such claim of achievement. However it was noted that bullet 1 of level 4 is already in existence, that is the agency has full and complete record of complaints and feedback from clients, and how these were resolved.

### **Next Steps**

Since the agency can already claimed that it has a partial compliance with level 4, all it needs to do is to keep a full and complete records of complaints and feedback and to analyze the same to identify possible incidence of corruption<sup>20</sup>.

The Bureau may consider adopting an ISO-aligned quality management system for its operations to address concerns on operations like client complaints pertaining to delay in the release of papers, red tape, lack of forms/supplies.

It may also consider formulating a Service Charter for its frontline services to guarantee performance quality and reduce complaints. The Service Charter should include information on procedures, schedule of services, processing times, contact persons, and taxpayer's bill of rights.

---

<sup>20</sup> Since bullet #3 of level #4 is unclear as to its objective and interpretation, this should be qualified first before its inclusion in the levels of achievement.

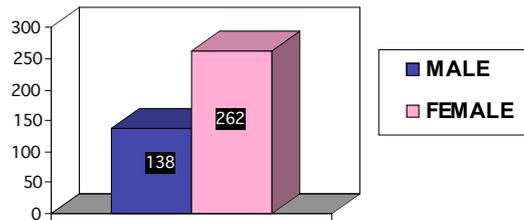


## SURVEY RESULTS

### 1.0 Respondent Profile

#### 1.1 Gender

Respondents from the Bureau of Internal Revenue (BIR) were predominantly female (65.50%).



The table below shows the gender distribution per region.

	N.O.	RR9	RR13	RR19
FEMALE	62.00%	68.69%	70.30%	61.00%
MALE	38.00%	31.31%	29.70%	39.00%

#### 1.2 Education

Respondents of the survey were highly educated across all 4 sites. Two-thirds of the respondents have at least a college degree (63.50%), with 32.75% of the employees with post-graduate degrees (MA/MS or PhD).

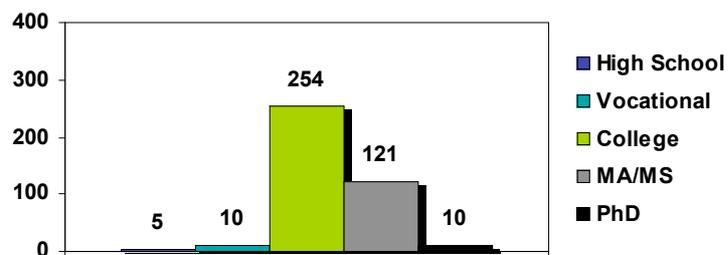


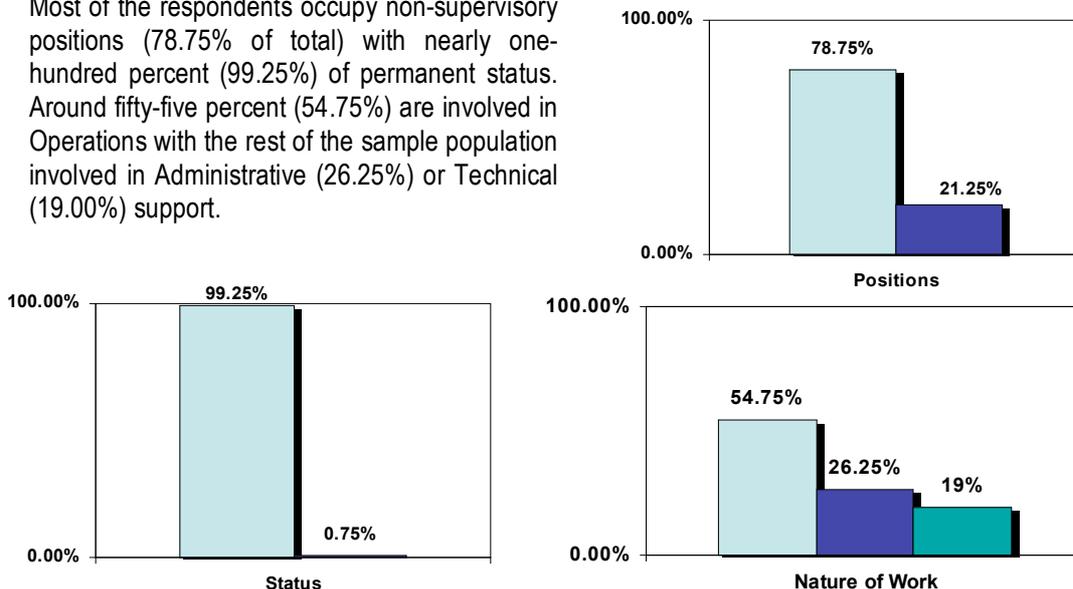
Table 1.2 Educational Attainment Distribution by Site

Educational Attainment	N.O.	RR9	RR13	RR19
Elementary	0.00%	0.00%	0.00%	0.00%
High School	3.00%	1.01%	0.99%	0.00%
Vocational	3.00%	2.02%	3.96%	1.00%
College	60.00%	63.64%	65.35%	65.00%
MA/MS	32.00%	31.31%	25.74%	32.00%
Ph.D.	2.00%	2.02%	3.96%	2.00%

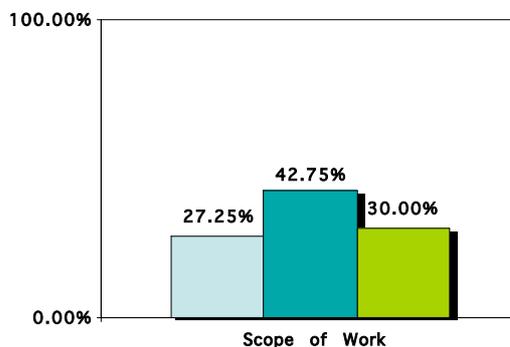


### 1.3 Work Profile

Most of the respondents occupy non-supervisory positions (78.75% of total) with nearly one-hundred percent (99.25%) of permanent status. Around fifty-five percent (54.75%) are involved in Operations with the rest of the sample population involved in Administrative (26.25%) or Technical (19.00%) support.



In terms of scope of work, 27.25% of respondents cover national/central scope, 42.75% regional and 30% provincial/municipal activities.



Sixty-eight percent (67.5%) of the respondents have been in active service at the BIR for at least 10 years. A significant proportion (21%) of the respondents have served between 5-9 years.

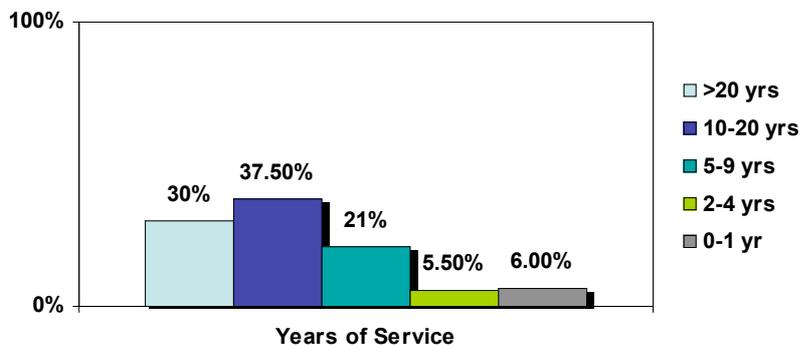




Table 1.3 Work Profile Distribution by Description and by Site

Description of Work		Number of Respondents			
		N.O.	RR9	RR13	RR19
POSITION	Supervisory	26	18	18	23
	Non-Supervisory	74	81	83	77
STATUS	Permanent	99	98	100	100
	Temporary	1	1	1	0
	Contractual	0	0	0	0
NATURE	Operations	40	60	62	57
	Support-Admin	36	25	18	26
	Support-Technical	24	14	21	17
SCOPE	National	72	3	6	4
	Central	21	0	2	1
	Regional	5	54	53	59
	Provincial	2	23	13	21
	Municipal	0	19	27	15
	Barangay	0	0	0	0
YEARS	0-1 yr	11	4	4	5
	2-4 yrs	6	6	5	5
	5-9 yrs	24	21	22	17
	10-20 yrs	31	43	43	33
	>20 yrs	28	25	27	40
<b>TOTAL RESPONDENTS</b>		<b>100</b>	<b>99</b>	<b>101</b>	<b>100</b>

## 2.0 Survey Results

Using a 4-pt weighted scale system, net ratings were computed for statements in each of the 12 domains of the study. The weighted rating is computed using the following formula:

<u>Response Scale</u>	<u>Weight</u>	<u>Frequency</u>	<u>Scale x Frequency</u>
Strongly Agree	1	A	1 x A
Agree	2	B	2 x B
Disagree	3	C	3 x C
Strongly Disagree	4	D	4 x D

$$\text{NET RATING} = [(1 \times A) + (2 \times B) + (3 \times C) + (4 \times D)] / \text{Total no. of respondents}$$

To interpret net ratings, the following guideline can be used:

- 1.00 - 1.79=Highly positive net agreement
- 1.80 - 2.21=Moderately positive net agreement
- 2.20 - 2.49=Slightly positive net agreement & % undecided is substantial
- 2.50 =Split opinion
- 2.51 - 2.8 =Slightly negative net agreement & % undecided is substantial
- 2.81 - 3.20=Moderately negative net agreement
- 3.21 - 4.00=Extremely negative net agreement



A positive net agreement occurs if the net rating is less than or equal to 2.0 and a negative net agreement is reached if the net rating is greater than 2.0. The lower the net rating, the positive net agreement to the statement increases. Conversely, the higher the net rating, the negative net agreement to the statement increases.

**A. Leadership**

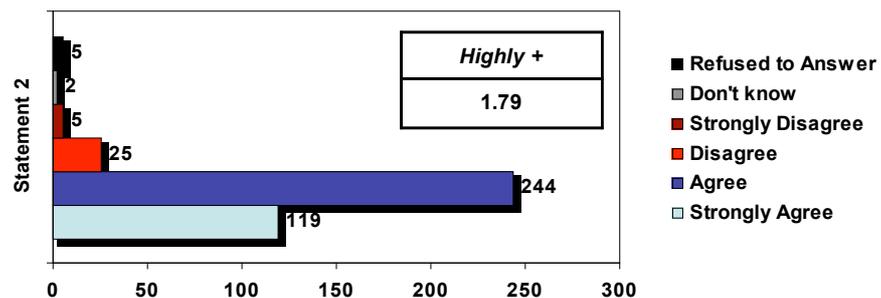
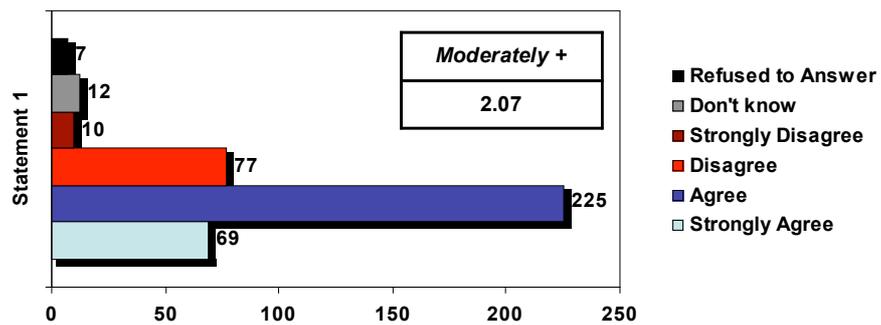
Moderately positive net agreements pertaining to leadership concerns were observed at BIR National Office and RRS 13. Highly positive net ratings for professionalism were recorded for RR 9 and 19.

Significant differences in responses were observed among the respondents in the regional offices for Statement No. 1. Respondents from RR 9 that would tend to disagree are likely from those who have served between 10-20 years. Although most of the respondents agree to the statement, those most likely to disagree were those involved in operations. No significant differences were observed for Statement No. 2.

Table 2.1 Net Ratings for Leadership by Site

STATEMENTS	N.O.	RR 9	RR 13	RR 19
1. Managers in our agency do not abuse their authority. <i>(Hindi umaabuso sa kapangyarihan ang mga namumuno o manager ng aming ahensiya.)</i>	2.14	1.97	2.26	1.93
2. Managers in our agency inspire employees to be "professional" <i>(Ako ay nai-inspire ng mga namumuno o manager ng aming ahensya upang maging propesyonal sa aking trabaho.)</i>	1.93	1.73	1.86	1.63

The Bureau's overall ratings:





Question 3: Suggestions to improve the leadership's contribution in preventing corruption in BIR include:

- Increase in salary, benefits, promotion 24.25%
- Leadership by example & honesty 17.00%
- Professionalism, fairness and transparency 12.75%
- Enforcement of policies, performance evaluation, discipline 10.25%
- More training & values formation seminars 8.25%
- Computerization, improvement of system to avoid opportunities 6.00%
- Continuous dialogue between employee and mgt; employee participation in decision making 5.50%
- Leader must have mastery of job 2.75%
- Strict monitoring especially of lifestyles, appropriated budget & cases assigned to examiners 2.75%
- Unity, cooperation 1.75%
- Must be insulated from politics and politicians 1.50%
- Reshuffle leaders; replace old employees 1.50%
- System okay, Nothing to change 1.50%
- Security of tenure, leaders must come from within the system, no outsiders 1.00%
- No answer 3.25%

## B. Code of Conduct

Majority of the respondents cited that the agency has a written code of conduct. Only 2-3% of the respondents replied No.

Table 2.4 Question 4: Does your agency have a written code of conduct?

	N.O.	RR 9	RR 13	RR 19
YES	97.00%	96.97%	97.03%	98.00%
NO	3.00%	3.03%	2.97%	2.00%

High positive net agreement ratings were observed in N.O. and RR 9 with regards to the compliance and adequacy of orientation of the written code of conduct. Moderately positive agreements were observed in RRs 13 and 19. Significant differences in responses were observed in RRs 13 and 19. High positive ratings among RR 19 respondents are likely from those who are involved in regional scope and/or those who have served the agency for at least 10 years. Negative agreements in RR 13 are more likely among the non-supervisory personnel.

Slightly positive to moderately positive agreement is observed with respect to punishment of those who violate the code. No significant differences were observed among respondents across all sites.

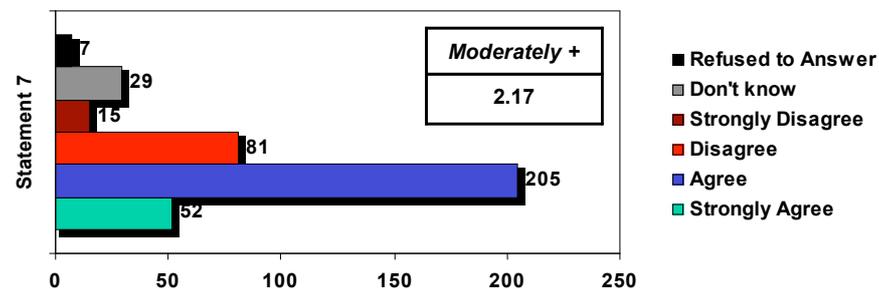
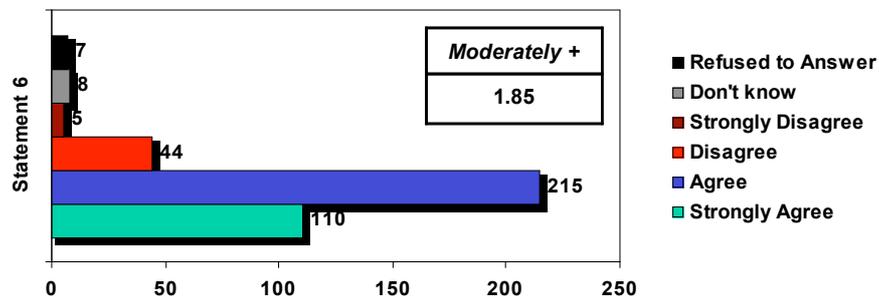
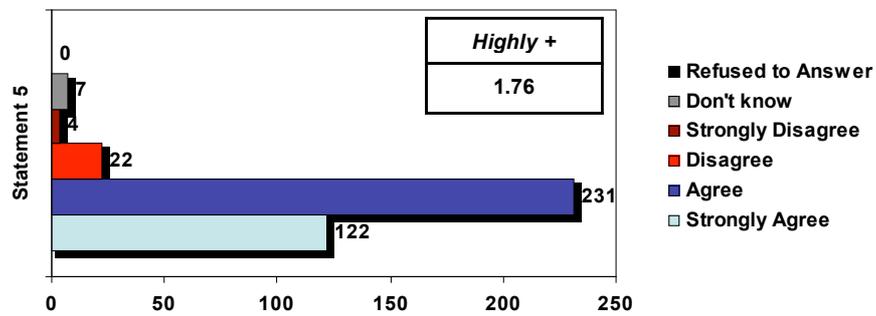
Table 2.5 Net Rating for Code of Conduct by Site

STATEMENTS	N.O.	RR 9	RR 13	RR 19
5. A written code of ethical conduct being followed in our agency. ( <i>May sariling nakasulat na panuntunan ng wastong asal o gawi na sinusunod dito sa aming ahensiya.</i> )	1.59	1.70	1.94	1.80



STATEMENTS	N.O.	RR 9	RR 13	RR 19
6. Adequate orientation on the code of conduct and other corruption prevention measures are provided in our agency. <i>(May sapat na pagsasanay na ibinibigay sa amin tungkol sa code of conduct at iba pang paraan upang mapigilan ang katiwalain dito sa aming ahensiya.)</i>	1.77	1.76	1.95	1.92
7. Those who violate the code of conduct are punished. <i>(Napaparusahan ang mga lumalabag sa mga panuntunan ng wastong asal o gawi.)</i>	2.16	2.10	2.27	2.13

The Bureau's overall ratings:



### C. Gifts and Benefits

Majority of the respondents submitted their SALN for 2004. However, 2% from National Office, 3% from RR 9 and 2% from RRs 13 and 19 failed to submit their SALN for 2004.



With regards to the knowledge of the agency's written gifts and benefits policy, the regional offices showed a split response between Yes and No. In National Office, about 2/3 of the respondents replied YES, or that they do have a written policy on gifts and benefits.

Table 2.9 Collection of SALN and Written Gifts and Benefits Policy

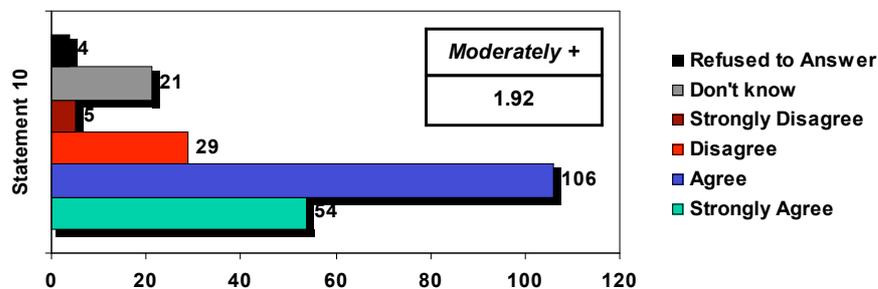
	Response	N.O.	RR 9	RR 13	RR 19
8. Did your HRD collect your Statement of Assets and Liabilities and Net Worth (SALN) for 2004?	YES	98.00%	96.97%	98.02%	98.00%
	NO	2.00%	3.03%	1.98%	2.00%
9. Does your agency have a written gifts and benefits policy?	YES	62.00%	55.56%	49.50%	51.00%
	NO	38.00%	44.44%	50.50%	49.00%

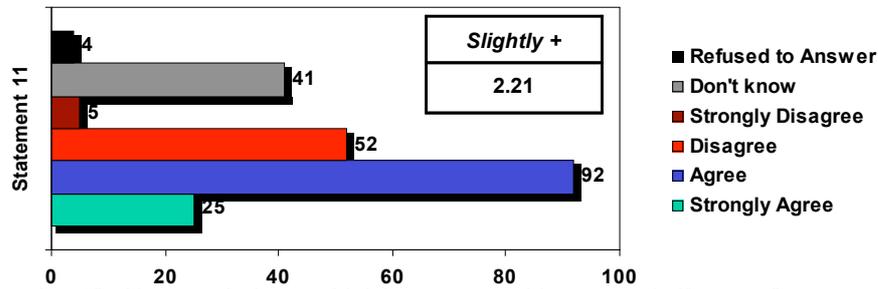
Net ratings for Gifts and Benefits indicate that a moderate positive agreement on the awareness of employees and a slightly positive net agreement that the transacting public on the agency's policy on gifts and benefits. Significant differences in responses were noted in National Office and in RR 13. Positive responses in N.O. may be attributed to those involved in operations. In RR 13, positive responses may be attributed to those involved in operations and regional scope. Negative agreements with respect to public awareness mostly come from those in non-supervisory positions.

Table 2.10 Net Ratings for Gifts and Benefits by Site

STATEMENTS	N.O.	RR 9	RR 13	RR 19
10. The employees in our agency are made aware of the policy on solicitation and receiving of gifts. <i>(Ang panuntunan sa wastong asal o gawi ukol sa paghingi o pagtanggap ng mga regalo at benepisyo ay alam ng mga empleyado sa aming ahensiyang.)</i>	1.86	2.06	1.80	1.95
11. The transacting public and suppliers know the policy of our agency on gifts and benefits. <i>(Pinapaalam ang panuntunan sa wastong asal o gawi ukol sa pagtanggap ng mga regalo at benepisyo sa mga kliyente at suppliers ng aming ahensiya.)</i>	2.23	2.15	2.23	2.26

The Bureau's overall ratings:





Question 12. How much do you think is an acceptable personal gift to you?

When asked how much they think is an acceptable personal gift, thirty-six percent (46.5%) responded that no cash gift is necessary for them to render their duties as a government servant. However, when asked for an amount, nearly forty percent (44.75%) answered with amounts in extreme ranges. Small amounts ranged between P10-P500, mid-range of P1,000-5,000, and high range of P10,000-50,000. The remaining twenty-four (8.75%) of the respondents cited that they would accept tokens in the form of food and non-cash gifts that their clients would willingly give them in appreciation of their service.

**D. Human Resources Development**

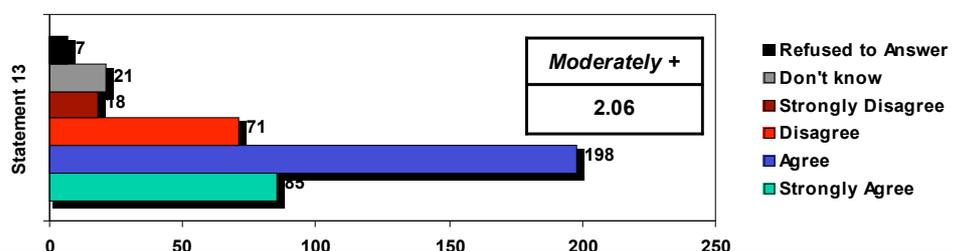
Results of the net ratings indicate slightly to moderately positive agreement with regards to the process of recruitment and promotions following a set criteria. In contrast, respondents in N.O. and RR 13 indicated slightly to moderately negative agreements respectively, that the process was free from external influences. RR 9 and RR 19 both indicated slightly positive net ratings.

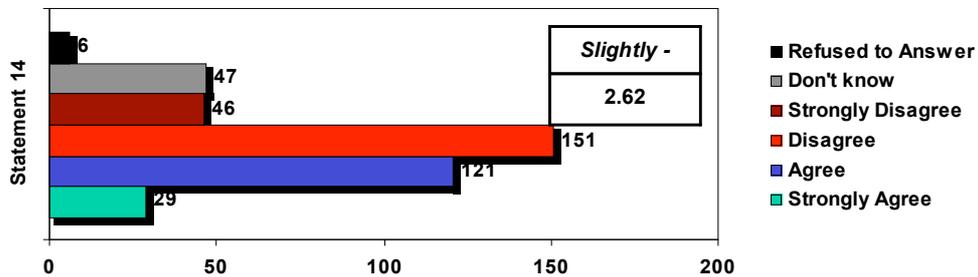
Significant differences in responses were observed in RR 19 for Statement 14. Negative responses were more likely to come from non-supervisory personnel.

Table 2.13 Net Ratings for Human Resource Development

STATEMENTS	N.O.	RR 9	RR 13	RR 19
13. The process for recruitment and promotions in our agency follows a set of criteria. <i>(Ang proseso sa pag-recruit at pag-promote dito sa aming ahensiya ay alinsunod sa mga tinalagang batayan.)</i>	2.05	1.94	2.36	1.89
14. The process of recruitment and promotions in our agency is free from external influences. <i>(Walang nakiki-alam sa proseso ng pag-recruit at pag-promote dito sa aming ahensiya.)</i>	2.67	2.38	2.96	<b>2.43</b>

The Bureau's overall ratings:





Question 15: What can you suggest to improve the process of recruitment and promotion in your agency?

Suggestions to improve the process of recruitment and promotion include the following:

- Recruitment based on Educational qualification or Work Experience (Merit) 37.25%
- Strict implementation of Selection criteria 18.25%
- No political accommodations, influence peddling, and nepotism 15.25%
- Broader publication of vacancies 8.00%
- Promotions based on length of service & seniority 6.00%
- Promotions & recruitment based on credibility, integrity & diligence 5.25%
- Credible promotions board, more staff representation in recruitment and promotion, transparency. 3.75%
- Process okay, no need to improve / No answer 6.25%

#### E. Performance management

Positive net ratings were observed with regards to performance management concerns. High positive ratings were recorded with regards to clarity of individual performance targets and moderately positive ratings for rewards, performance feedback and job satisfaction. Slightly positive net ratings were recorded with regards to yearly performance bonuses.

No significant differences were observed across all sites with regards to regularity of employee performance feedback and among respondents in RR 9. However, significant differences in responses were observed in the other sites with respect to the following:

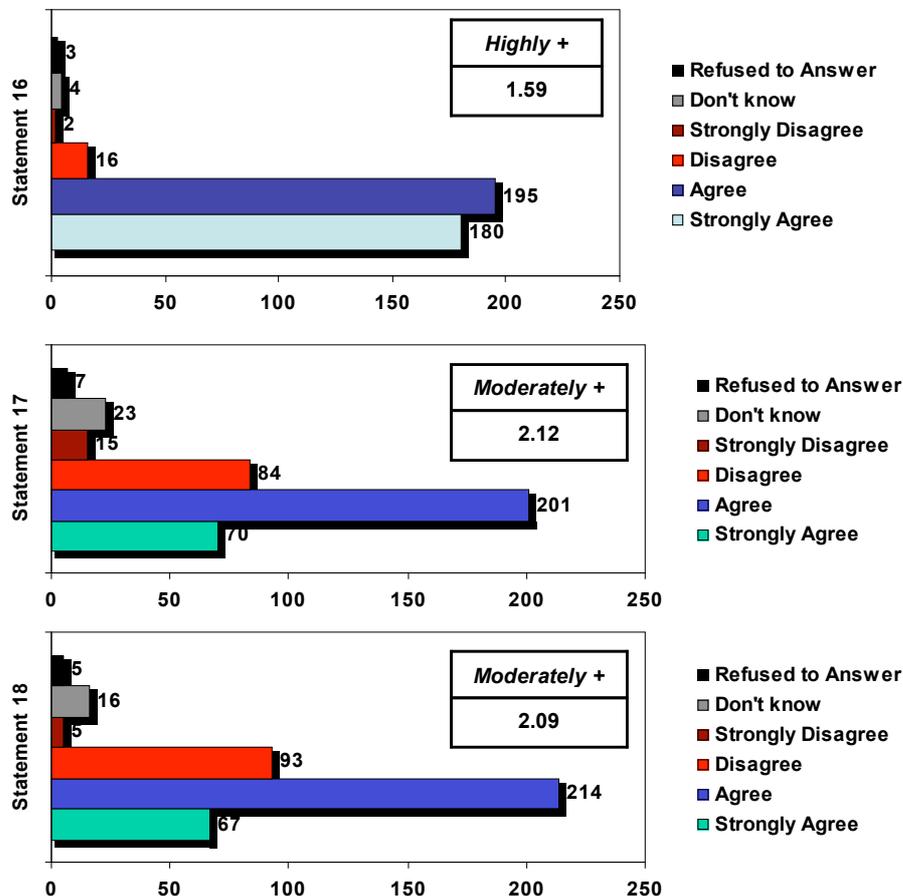
- N.O. respondents involved in Technical support activities tend to strongly agree as compared to those in operations and administrative work with regards to clarity of performance targets. On the other hand, for RR 13 respondents, this tendency is more likely to come from those involved in regional activities and/or those with more than 20 years of service.
- Negative agreements with regards to rewards would more likely come from those involved in national scope among N.O. respondents and those in regional scope among RR 19 respondents.
- Negative responses with regards to yearly performance bonuses are more likely from N.O. respondents involved in national scope and those in non-supervisory positions in RR 19.
- N.O. respondents with at least 10 years of service indicate greater job satisfaction than their younger counterparts. A few respondents involved in RR 13 indicated dissatisfaction in their job.

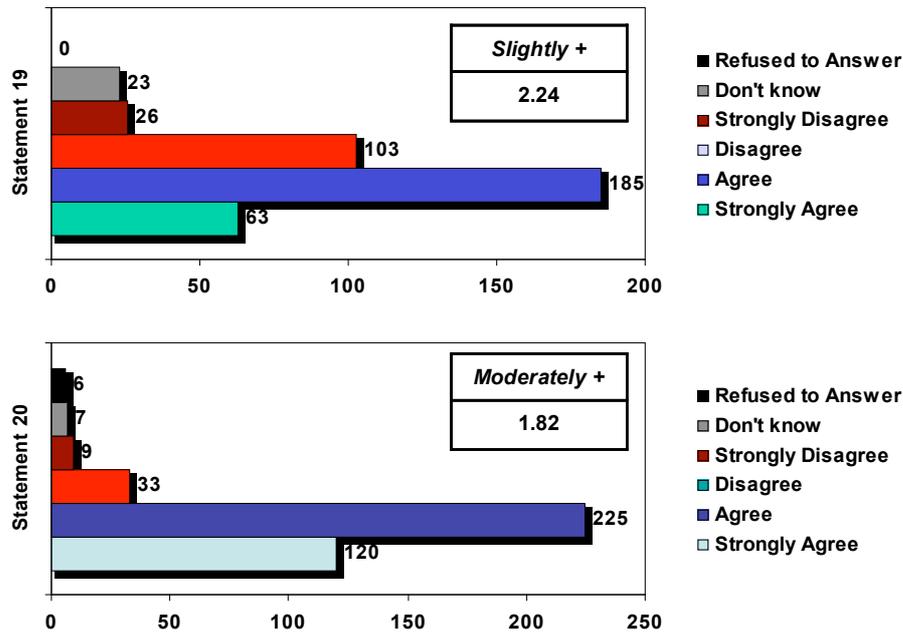


Table 2.16 Net Ratings for Performance Management

STATEMENTS	N.O.	RR 9	RR 13	RR 19
16. My performance targets are clear to me. ( <i>Malinaw sa akin ang performance targets ko.</i> )	1.56	1.61	1.68	1.53
17. Outstanding performance is rewarded in our agency. ( <i>Ginagantimpalaan sa aming ahensya ang mga taong may bukod tanging pagganap sa kanyang tungkulin.</i> )	2.08	2.10	2.24	2.04
18. The employees in our agency are regularly provided feedback regarding their performance. ( <i>Ang mga empleyado sa aming ahensiya ay regular na sinasabihan o nabibigyan ng komentaryo o puna ukol sa pagganap ng kanilang tungkulin.</i> )	2.03	2.01	2.29	2.04
19. The employees of our agency are given the yearly performance bonus regardless of how they performed. ( <i>Ang mga empleyado sa ahensiya naming ay binibigyan ng performance bonus paano man nila ginampan ang kanilang tungkulin.</i> )	2.22	2.24	2.24	2.28
20. I am satisfied with my job. ( <i>Ako ay nasisiyahan sa aking trabaho.</i> )	2.00	1.72	1.85	1.72

The Bureau's overall ratings:





Setting of personal performance targets is practiced in a majority of the respondents in the survey as can be seen in Table 2.22 below. Between 74.75% to 91% have had their superiors set their performance targets for 2005.

Table 2.22 (Question 21) Do you have a personal performance target set by your superior for 2005?

	N.O.	RR 9	RR 13	RR 19
YES	84.00%	74.75%	88.12%	91.00%
NO	16.00%	25.25%	11.88%	9.00%

## F. Procurement Management

Respondents across sites generally agreed with concerns on Procurement Management. Moderately positive net ratings for all factors were recorded for RR 9, RR 13 and RR 19. National Office respondents recorded slightly positive net ratings for only one factor pertaining to the impartiality of decision by the BAC.

Significant differences in responses were observed among respondents in the following factors:

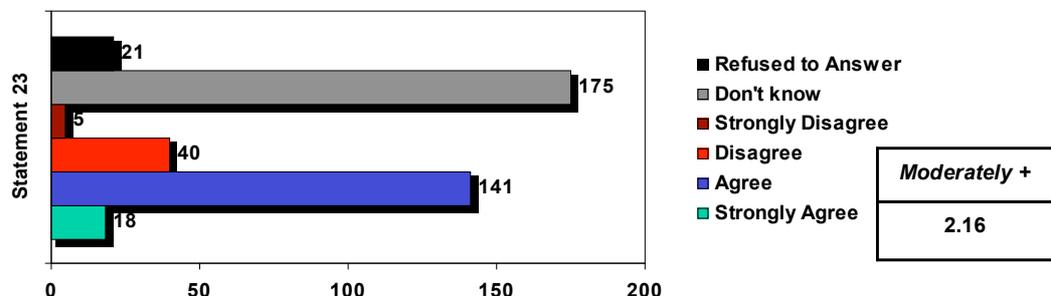
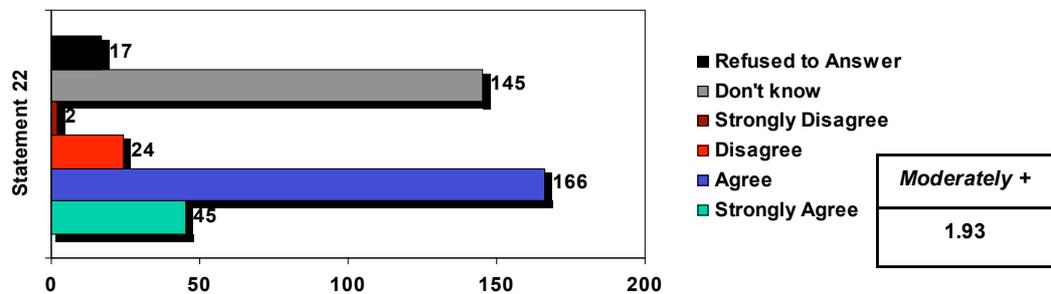
- A significant number of N.O. respondents involved in national scope replied “I don’t know” for all of the procurement factors.
- Moderately positive responses are attributed to non-supervisory respondents in RR 9 and those involved in operations in RR 19 .
- Negative responses to the blacklisting of non-performing suppliers are more likely from among N.O. respondents involved in National scope and from those involved in operations in RR 19.
- Negative responses to training of relevant personnel came from respondents involved in national scope among N.O. respondents and those involved in regional scope in RR 13 and RR 19.

Table 2.23 Net Ratings for Procurement Management



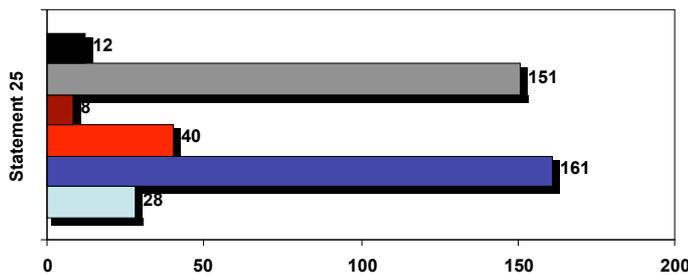
STATEMENTS	N.O.	RR 9	RR 13	RR 19
22. Procurement in our agency follows the procedures as stipulated under the Procurement Law (RA 9184). <i>(Dito sa aming ahensiya, ang pagbili o procurement ay sang-ayon sa Procurement Act or RA9184).</i>	1.95	1.97	1.89	1.90
23. BAC decisions are impartial. <i>(Walang kinikilingan ang BAC sa kanilang mga desisyon.)</i>	2.25	2.08	2.12	2.15
24. Non-performing suppliers are blacklisted. <i>(Ang mga umaabuso at di matinong suppliers ay iniaalis sa talaan ng maaring magkaroon ng transaksyon muli.)</i>	2.03	1.98	2.15	1.93
25. Relevant personnel are well trained on the entire procurement process – from bidding to inspection/utilization. <i>(May sapat na pagsasanay na ibinibigay sa mga kinaaukulang empleyado ukol sa pagbili, inspeksyon, at wastong paggamit ng mga binili.)</i>	2.11	2.08	2.20	2.08

The Bureau's overall ratings:





<i>Moderately +</i>
2.03



<i>Moderately +</i>
2.12

Question 26: What can you say to improve the procurement process?

Suggestions to improve the procurement process include:

- Transparency in Bidding Process 13.50%
- Survey of needs, be specific in the technical descriptions of supplies or equipment being canvassed/quality before cost.. 13.25%
- Strict compliance to guidelines, rules and regulations. 11.75%
- Information Dissemination & Training 9.50%
- Open Bidding 8.50%
- Streamlining/Computerization of Operations 6.25%
- Carefully select personnel 5.25%
- Sustainable budget 2.75%
- Centralized purchasing e.g. thru DBM 0.25%
- No change is required 1.50%
- I Don't Know; not involved 27.00%

### G. Whistle blowing, Internal reporting and investigation

Moderately positive net ratings were observed with regards to whistle blowing, internal reporting and investigation EXCEPT for the concern regarding employees who report corrupt behavior are protected. Slightly positive net rating was obtained with no significant differences recorded across all sites in this regard.

Significant differences in responses were observed in some sites with regards to the following concerns:

- Negative responses with regards to financial transactions from N.O. respondents were observed from those involved in national scope.
- Negative responses to management scrutiny of agency were recorded among non-supervisory personnel in RR 9 and RR 19.

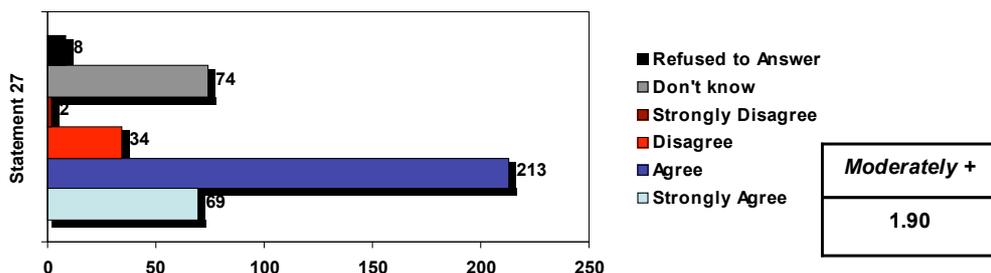


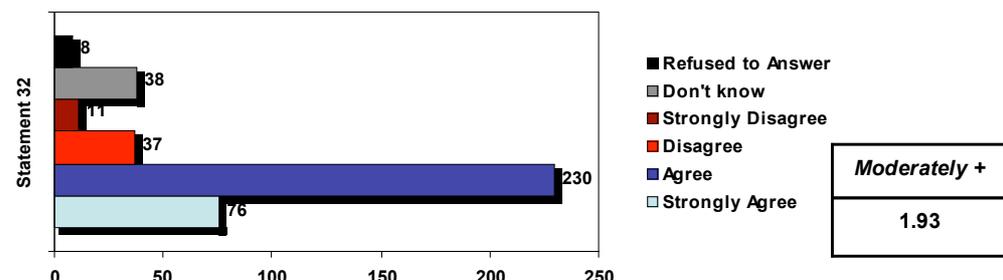
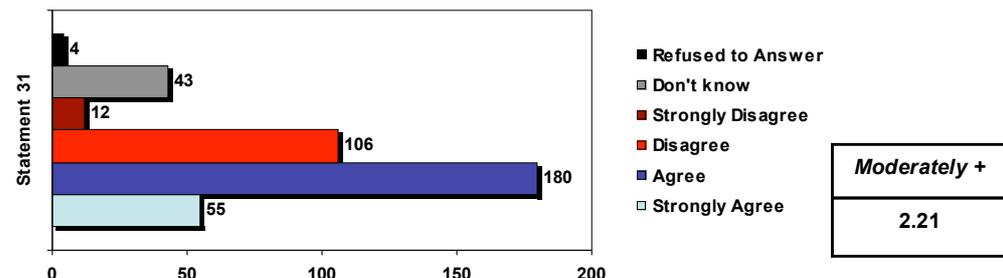
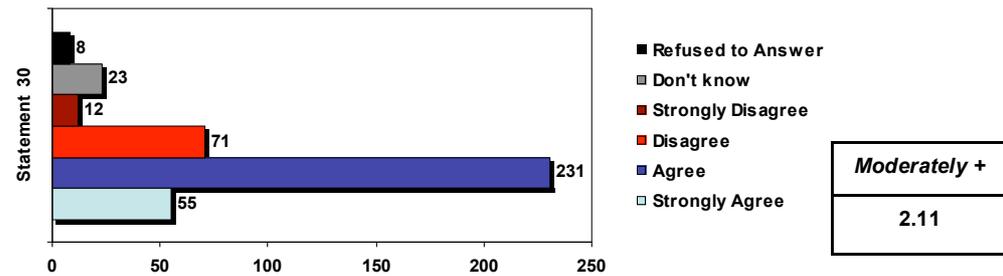
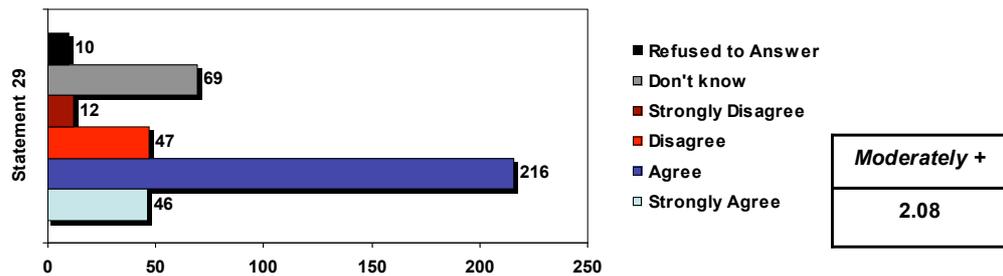
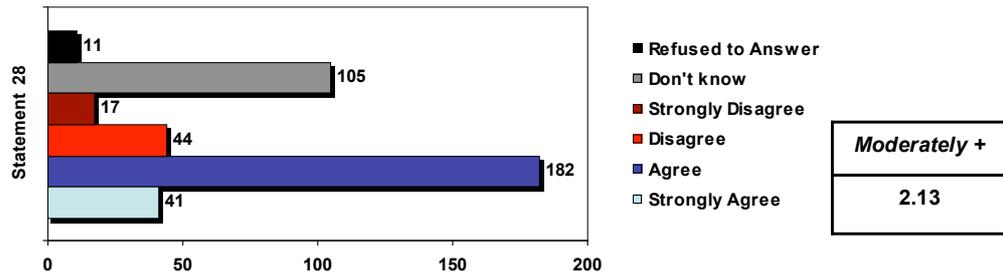
- Negative responses to accessibility of financial statements and audit reports were more likely from among respondents with at least 5 years of service in RR 9 and among non-supervisory personnel in RR 19.
- Negative responses with respect to knowledge of whom and where to report financial irregularities were noted among N.O. respondents with less than 5 years of service and/or those involved in national scope.
- Negative responses with regards to internal reporting and investigation among RR 13 respondents were more likely from non-supervisory personnel, those in operations and/or regional scope.

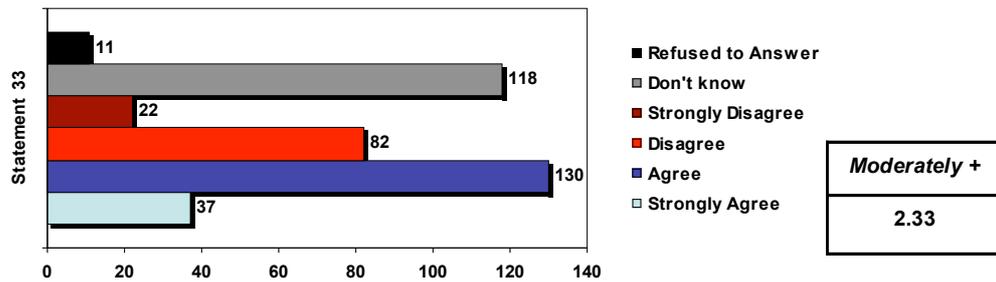
Table 2.28. Net Ratings for Whistle blowing, Internal Reporting and Investigation

STATEMENTS	N.O.	RR 9	RR 13	RR 19
27. The management scrutinizes our agency spending. <i>(Binubusisi ng aming pamunuan ang gastusin sa aming ahensya.)</i>	1.96	1.87	1.93	1.84
28. Financial statements and audit reports of our agency are accessible. <i>(Madaling makakuha ng mga financial statements at audit reports dito sa aming ahensya.)</i>	2.05	2.01	2.26	2.20
29. Employees know who and where to report irregularities in financial transactions. <i>(Alam ng mga kawani kung saan isusumbong ang mga katiwalian sa financial transactions.)</i>	2.07	1.91	2.19	2.16
30. Employees are encouraged to report corrupt and unethical behavior. <i>(Ang mga empleyado ay hinihikayat na isumbong ang mga katiwalian at maling asal sa aming ahensiya.)</i>	2.08	2.00	2.27	2.07
31. Guidelines for reporting corruption and unethical behavior are clear. <i>(Malinaw ang mga gabay ukol sapagsusumbong ng mga katiwalian at maling asal sa aming ahensiya.)</i>	2.24	2.16	2.27	2.17
32. Reports of corrupt behavior are investigated. <i>(Ang mga sumbong ukol sa katiwalian o maling asal ay Ini-imbestigahan.)</i>	1.92	1.87	2.09	1.93
33. Employees who report corrupt behavior are protected. <i>(Ang mga kawaning nagsusumbong ng katiwalian ay binibigyan ng proteksyon.)</i>	2.35	2.16	2.43	2.38

The Bureau's overall ratings:







Question 34: What can you suggest to improve the system on internal reporting of corrupt and unethical behavior in your agency?

Suggestions to improve the system on internal reporting of corrupt and unethical behavior were:

- Protection for whistle blowers; strict confidentiality 20.00%
- Expedient investigation; follow guidelines, rules & regulations; due process 17.00%
- Fearless system of reporting; incentives to those who report 16.00%
- Clear reporting channels 10.50%
- Investigation is done by an independent body; no "palakasan"; transparency 5.75%
- Proper dissemination of procedures & guidelines 5.25%
- Immediate imposition of penalties/punishment if proven guilty 3.75%
- Ensure integrity of investigators 3.50%
- Provide seminars for values formation and recollection 2.75%
- Existing system is okay 2.00%
- Don't know; No Answer 13.50%

## H. CORRUPTION RISK MANAGEMENT

There is slight disagreement with regards to the integrity of the system and the overall success of the agency in preventing corruption in its operations, particularly in RRs 13 and 19, only moderate agreement to having measures to identify potential fraud and corruption and slight agreement to sufficient training.

A significant difference in responses was observed in RR 9 and RR 13. RR 13 respondents that are likely to disagree with regards to the agency's implementation of measures to identify potential fraud and corruption are those in non-supervisory positions. RR 9 respondents that are likely to disagree with system integrity are likewise those with non-supervisory positions.

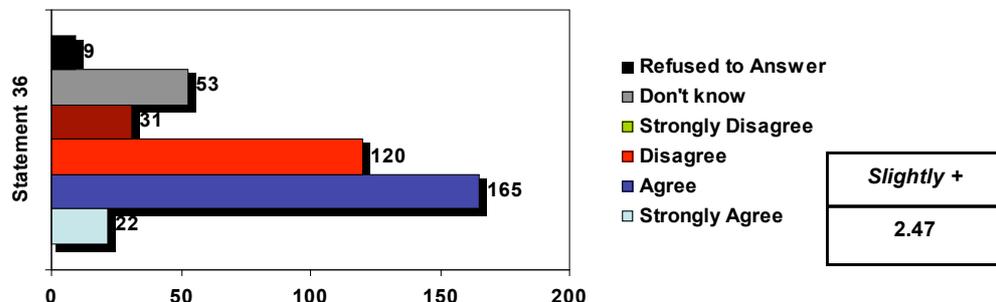
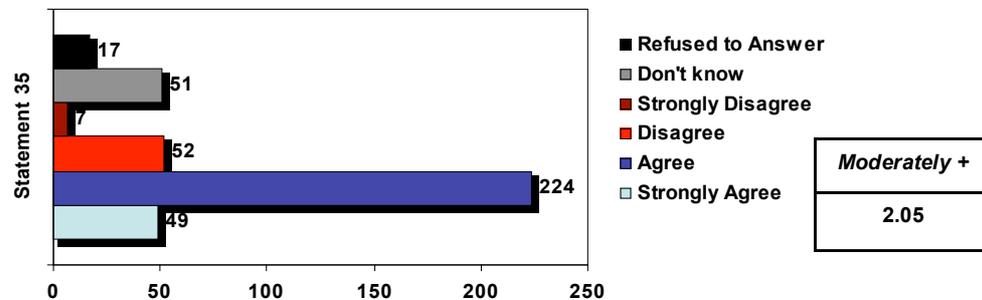
RR 9 respondents involved in operations and those with at least 5 years of service among RR 13 respondents were more likely to disagree that the agency has been successful in fighting corruption.

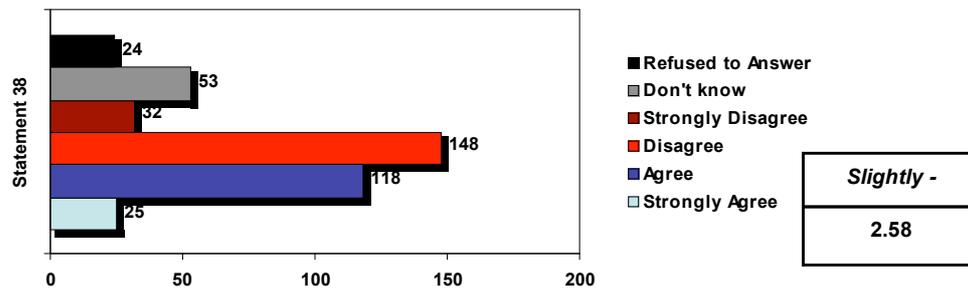
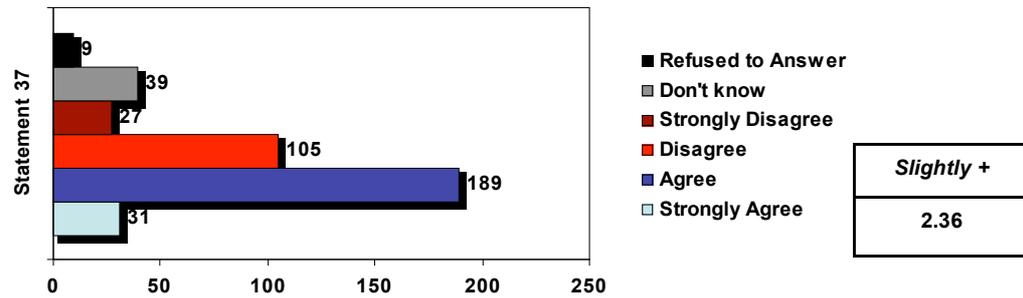


Table 2.36 Net Ratings for Corruption Risk Management

STATEMENTS	N.O.	RR 9	RR 13	RR 19
35. Our agency implements measures to identify potential fraud and corruption. <i>(Nagsasagawa ng mga paraan ang aming ahensiya upang malaman kung saan may posibilidad magkaroon ng pandaraya at katiwalian.)</i>	1.95	1.95	<b>2.17</b>	2.13
36. It is difficult to corrupt our current system of operations. <i>(May angkop na mga pananggalang upang mapigilan ang katiwalian o pangungurakot dito sa aming ahensiya.)</i>	2.43	<b>2.24</b>	2.63	2.58
37. Employees in our agency are trained to prevent fraud. <i>(Ang mga empleyado sa aming ahensiya ay binibigyan ng pagsasanay sa pag-pigil ng katiwalian o anuman posibilidad ng pangungurakot.)</i>	2.49	2.11	2.42	2.41
38. Our agency is successful in fighting corruption. <i>(Ang aming ahensiya ay matagumpay sa pagsugpo sa katiwalian.)</i>	2.44	<b>2.34</b>	<b>2.77</b>	2.73

The Bureau's overall ratings:





### I. Interface with the External Environment

Moderate net agreement ratings are reported across all sites in terms of factors affecting interface with the external environment. Higher positive ratings are observed in the RR 9 and RR 19. No significant difference in responses were obtained with respect to the agency's ability to act upon complaints and feedback of clients. Significant differences in responses were however observed among respondents in terms of the other three factors as follows:

- Those who might disagree that the operations of the agency are clear and easily understood were more likely from N.O. respondents involved in national scope; respondents with administrative duties in RR 9 and those involved in regional/provincial scope or administrative/technical responsibilities among RR 13 respondents.
- Negative responses with regards to consistency of the actual practices with written procedures were more likely to come from administrative or technical staff in RR 9; or those involved in regional scope or between 10-20 years of service among RR 19 respondents.
- Negative responses to the agency's ability to act upon client's complaints and feedback were more likely from those with at least 5 years of service among RR 19 respondents.

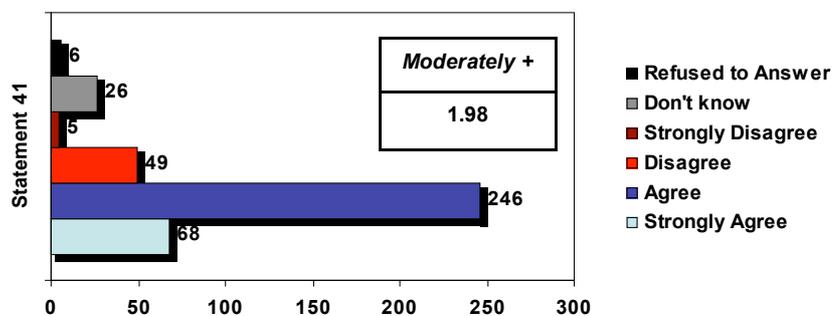
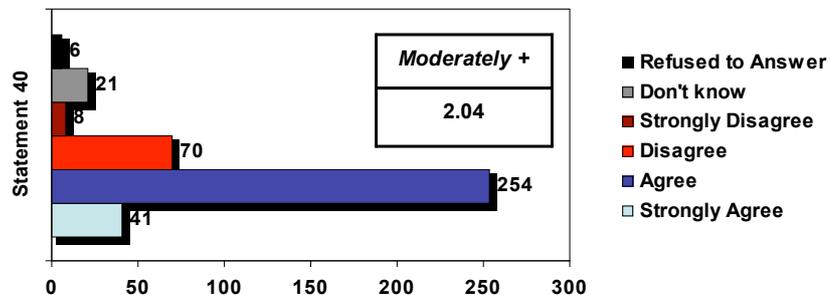
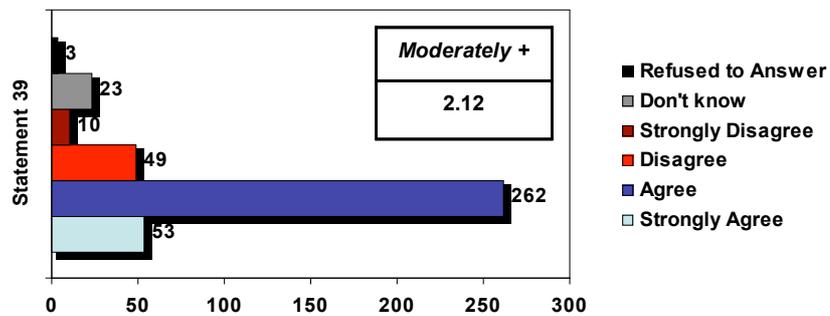
Table 2.41 Net Ratings for Interface with the External Environment

STATEMENTS	N.O.	RR 9	RR 13	RR 19
39. Overall, operations in our agency are clear and easily understood. (Sa pangkalahatan, madaling maunawaan at malinaw ang pagpapatakbo dito sa aming ahensya.)	2.09	1.96	2.13	1.99
40. Actual practices in our agency are consistent with written procedures and policies. (Naaayon sa mga nakatalang proseso at patakaran ang mga gawain	2.07	1.95	2.37	2.10



STATEMENTS	N.O.	RR 9	RR 13	RR 19
<i>sa ahensiya namin.)</i>				
41. Complaints and feedback of clients are acted upon in our agency. <i>(Ang mga daing, puna at komentaryo ng mga kliyente ay tinutugunan ng aming ahensiya.)</i>	2.03	1.83	2.08	1.97
42. Complaints and feedback of employees are acted upon here in our agency. <i>(Ang mga reklamo at komentaryo ng mga empleyado ay ina-aksyonan ng aming ahensiya.)</i>	2.23	1.97	2.34	<b>2.09</b>

The Bureau's overall ratings:





<b>Moderately +</b>
<b>2.16</b>

swer  
 gree  
 e

Question 43: What are the common complaints of your agency's clients?

More than half of the respondents across all sites (55.25%) indicated that the most common complaints of their clients were associated with the delay in the release of their documents related to long processing times, red tape and bureaucratic procedures. Lack of information dissemination (9.25%) and "palakasan" (8.25%) were cited. Complaints related to inconveniences to the clients included incompetence and improper conduct of employees (7.75%), excessive/additional taxes imposed (7%) , harassment (1.75%) and that complaints are not acted upon (1.5%).

Table 2.45 Common Complaints Clients

<b>COMMON COMPLAINTS</b>	<b>Percent of Responses (%)</b>
• Delay in the release of papers, red tape, lack of manpower, lack of Forms/supplies	55.25%
• Lack of information dissemination / difficulty in communication particularly with bank transactions	9.25%
• Corruption, Palakasan	8.25%
• Incompetent and discourteous employees	7.75%
• Excessive taxes imposed / Additional payments are required	7.00%
• Harrassment	1.75%
• Complaints are not being acted upon promptly.	1.50%

Question 44: What can you suggest to improve the services of your agency?

Suggestions to improve the services of the agency were:

- Continuous improvement of the system/ logistics 25.75%
- Employees should perform their jobs with industry, diligence and honor 20.75%
- Hiring of highly competent & dedicated professionals particularly for frontline duties 17.25%
- Seminars and training; spiritual renewal 12.25%
- Public Information Dissemination 6.75%
- Increase salary, benefits 5.25%



- Strict implementation of the new Performance Management System/rules and regulations 2.75%
- Strict monitoring of employees, penalize offenders 1.75%
- Fight graft and corruption/less corrupt officials 1.75%
- Transparency, open to public 0.75%
- Rewards and Incentives for good performance 0.75%
- No answer; status quo 4.25%

**J. Organizational Culture**

Moderate positive agreement is recorded for Statements 45 which pertains to employees being consulted on policies that concern them. Significant differences in responses were observed in N.O. wherein respondents that tended to disagree were more likely to come from non-supervisory personnel.

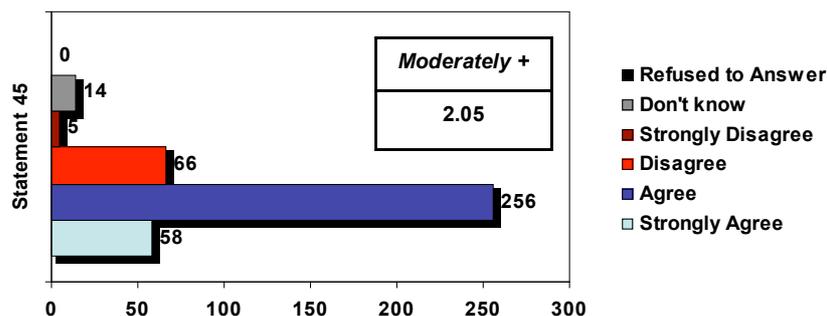
On one hand, slightly positive agreement in N.O., RR 13 and RR 19 and moderately positive agreement in RR 9, is recorded with regards to the involvement of employees in the decision-making process of the agency. Significant differences in responses were observed in N.O. wherein respondents that are likely to disagree are those with at least 5 years of service.

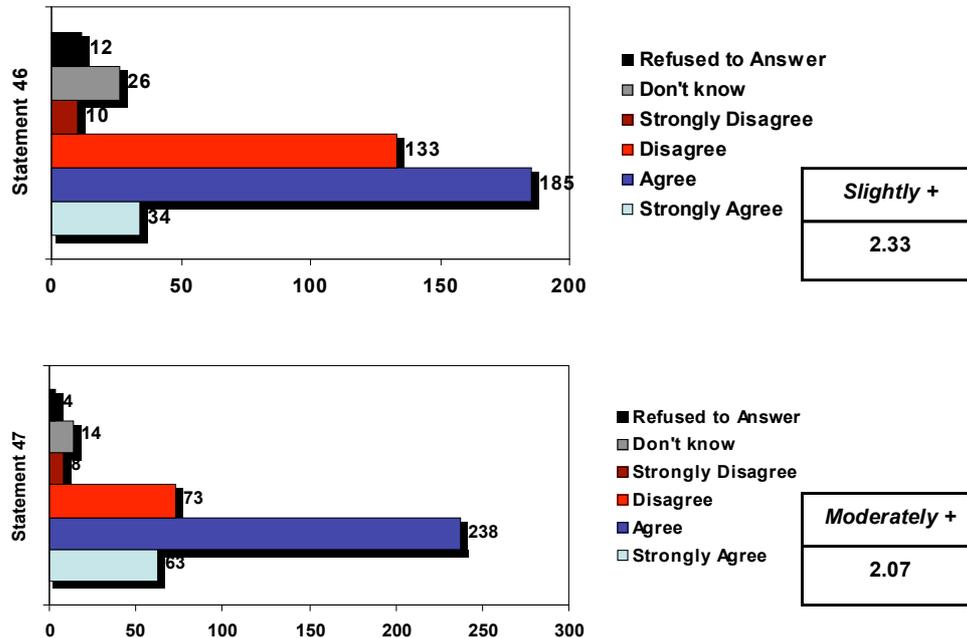
Moderate positive net agreement was recorded for open lines of communication in the agency. N.O. respondents most likely to disagree are those with at least 5 years of service.

Table 2.46 Net Ratings for Organizational Culture

STATEMENTS	N.O.	RR 9	RR 13	RR 19
45. Employees are consulted on policies that concern them. <i>(Ang mga empleyado ay kinukunsulta sa mga patakarang may kinalaman sa kanila.)</i>	2.11	1.92	2.09	2.06
46. Employees are involved in making decisions. <i>(Ang mga empleyado ay kasali sa mga pagdedesisyon.)</i>	2.40	2.13	2.32	2.45
47. Lines of communication are open. <i>(Bukas ang mga linya ng komunikasyon.)</i>	2.15	1.92	2.14	2.06

The Bureau's overall ratings:





Question 48: What can you suggest to improve the responsibility of your employees?

Suggestions to improve the responsibility of employees were:

- Increase salary, benefits 17.75%
- Rewards and Incentives for good performance. Recognition of efforts. 14.50%
- More lines of communication between officials and employees. Employee empowerment. 14.00%
- Improve monitoring of accountabilities and responsibilities of individual employee; Define their duties and responsibilities. 12.75%
- Employees should perform their jobs with industry, diligence and honor 10.75%
- Seminars and training for employees to do their jobs properly and efficiently 10.50%
- Officials should lead by example. No palakasan. 7.50%
- Strict implementation of the new Performance Management System/rules and regulations / penalties for wrongdoers 6.50%
- More logistical support. 1.25%
- No answer; status quo 4.25%

### K. Types of Corruption

Net ratings for types of corruption were obtained using a 3-point weighted scale. Weights of 1, 2, and 3 correspond to responses Low, Medium and High, respectively. The computation for net rating is the same as the 4-pt scale used to obtain agreement to statements in the survey. Interpretation of the net ratings however are directly proportional to the scale. A weighted rating above 2.0 means a High rating and a rating below 2.0 means a Low rating. In this section, it is more desirable to have a low rating since it will denote less likelihood of occurrence of the type of corruption in the agency.



From among the different types of corruption, Negligence of Duty and Nepotism/Favoritism were rated with moderate likelihood of occurrence in BIR.

Table 2.50 Net Ratings for Types of Corruption

Type of Corruption	N.O.	RR 9	RR 13	RR 19	AGENCY RATING
49. Negligence of duty (Pagpapabaya sa tungkulin)	2.14	1.74	2.26	1.84	2.00
50. Falsification of documents (Pamemeke ng mga dokumento)	1.68	1.37	1.47	1.44	1.50
51. Illegal use of public funds or property (Illegal na paggamit ng pera o anumang pag-aari ng gobyerno)	1.69	1.40	1.43	1.38	1.48
52. Unauthorized collection of funds (Walang pahintulot na pangongolekta ng pera )	1.45	1.28	1.60	1.49	1.45
53. Nepotism/Favoritism (Nepotismo o Pagkakaroon ng mga paborito)	2.24	1.93	2.40	1.81	2.11
54. Disclosure of confidential information (Pagbibigay ng mga lihim na impormasyon)	1.49	1.36	1.45	1.32	1.41
55. Collusion with BAC members (Pakikipagsabwatan sa mga miyembro ng BAC)	1.60	1.30	1.39	1.19	1.41
56. Overpricing of bids (Pagdagdag sa presyo ng mga bids)	2.06	1.47	1.36	1.52	1.67
57. Collusion with suppliers (Pakikipagsabwatan sa mga supplier upang itaas ang presyo at kumita ng iligal)	1.81	1.43	1.34	1.50	1.57
58. Forgery or fraud (Pamemeke ng pirma at pandaraya)	1.35	1.30	1.38	1.33	1.34
59. Theft of public resources (Pagnanakaw ng anumang pag-aaring pampubliko)	1.59	1.33	1.40	1.35	1.43
60. Accepting bribes (Pagtanggap ng mga suhol)	1.90	1.66	1.96	1.90	1.86
61. Abuse of discretion/power (Pag-abuso ng kapangyarihan sa pagpapasya)	1.77	1.38	1.61	1.45	1.56
62. Corruption of Filipino values e.g. pakikisama, hiya, etc (Paglalapastangan ng pagpapahalagang Filipino)	1.71	1.42	1.68	1.70	1.63



What can you suggest to prevent corruption?

- Increase salary, benefits. 43.50%
- Seminars and training for employees to do their jobs properly and efficiently. Values formation. 15.75%
- Improve system, less contact with clients , more logistical support, more transparency, more qualified personnel 14.50%
- Expedient investigation; follow guidelines, rules & regulations; due process; punishment for guilty 6.50%
- Strict monitoring of accountabilities and responsibilities of individual employee. Define their duties and responsibilities. 5.50%
- Officials should lead by example. No palakasan. Should be held accountable for his employees' performance 4.25%
- Fearless system of reporting; incentives to those who report wrongdoings 2.25%
- Rewards and Incentives for good performance. 2.00%
- More lines of communication between officials and employees. Employee empowerment. 1.25%
- Security of tenure 0.25%
- No answer; status quo 4.25%

#### L. ATTITUDES REGARDING CORRUPTION REPORTING

Only a few have of the respondents have experienced reporting a corrupt and unethical behavior. Percentage reporting rate is shown in Table 2.51. The no. of cases reported per site and the year it was reported are outlined in Table 2.52.

Table 2.51 Have you experienced reporting a corrupt or unethical behavior that you have witnessed?

	N.O.	RR 9	RR 13	RR 19
YES	11.00%	6.06%	15.84%	8.00%
NO	88.00%	92.93%	84.16%	92.00%

Table 2.52 No. of Cases Reported by Respondents by Site

Year Reported	Number of cases reported			
	N.O.	RR 9	RR 13	RR 19
1980		1	1	
1984			1	
1987	1			
1988				1
1990	1		1	
1992		1		
2000		1	1	
2001		1	3	
2002			1	
2003		1	1	1
2004	2		1	1
2005	4		4	4
2006	1			

63. How long did it take before it was resolved?



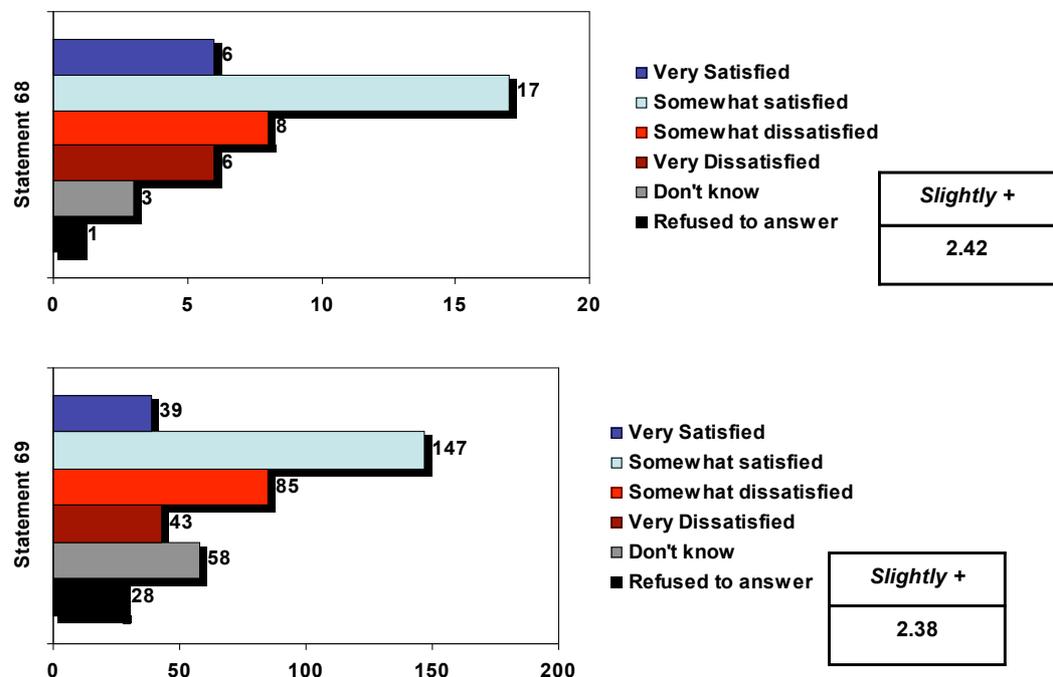
Resolution time of these reported cases varied depending on the nature of the complaint. Some complaints were resolved immediately within 1-3 days. Others took 1-3 weeks. A few cases took between 2 to 5 years. It is important to note, however, that 13 out of the reported cases above (or 37%) remain unresolved.

In general, respondents who have had the experience of reporting a corrupt or unethical behavior cited moderate satisfaction except for RR 13 that reported moderate dissatisfaction in the agency's reporting and investigation mechanism. Significant differences were observed only in responses concerning the agency's reporting and investigation mechanism in RR 13. Respondents involved in either operations or technical support were more likely to be dissatisfied than those in administrative support activities.

Table 2.53 Net Ratings for Corruption Reporting by Site

STATEMENTS	N.O.	RR 9	RR 13	RR 19
68. How satisfied or dissatisfied were you with your agency's reporting mechanism?	2.20	2.00	<b>2.86</b>	2.14
69. How satisfied or dissatisfied were you with your agency's investigation mechanism?	1.90	2.20	<b>3.00</b>	2.00

The Bureau's overall ratings:



It is gratifying to note that a majority of the respondents indicated that they would report a corrupt and unethical behavior as shown in the table of responses by site in below. Moderate agreement rating was recorded among the respondents with regards to their satisfaction with the current reporting mechanisms for corruption in the agency. Only RR 19 recorded significant



differences in responses. Respondents with at least 10 years of service were more likely to indicate dissatisfaction.

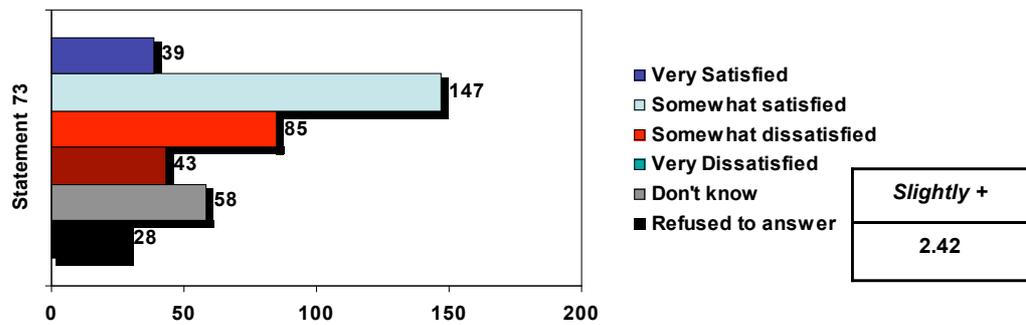
Table 2.56 If you ever witness a corrupt and unethical behavior (again), will you report it?

	N.O.	RR 9	RR 13	RR 19
YES	96.00%	85.86%	76.24%	92.00%
NO	4.00%	14.14%	23.76%	8.00%

Table 2.57 Net Ratings for Corruption Reporting by Site

STATEMENTS	N.O.	RR 9	RR 13	RR 19
73. How satisfied are you with reporting mechanisms for corruption in your agency?	2.35	2.41	2.54	<b>2.37</b>

The Bureau's overall rating:





### One-Way ANOVA Analysis Tables

Table 2.2 One-way ANOVA analysis by Site for Question 1

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.895	0.754	0.602	0.244	0.784
RR 9	0.809	0.908	0.065	0.921	<b>0.003</b>
RR 13	0.812	0.676	<b>0.038</b>	0.127	0.905
RR 19	0.512		<b>0.010</b>	0.913	0.701

Table 2.3 One-way ANOVA analysis by Site for Question 2

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.398	0.213	0.542	0.329	0.957
RR 9	0.822	0.829	0.147	0.224	0.054
RR 13	0.233	0.932	0.895	0.180	0.979
RR 19	0.590		0.608	0.279	0.540

Table 2.6 One-way ANOVA analysis by Site for Question 5

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.364		0.408	0.208	0.125
RR 9	0.112	0.593	0.753	0.963	0.555
RR 13	0.721	0.925	0.463	0.361	0.790
RR 19	0.084		0.345	<b>0.035</b>	<b>0.037</b>

Table 2.7 One-way ANOVA analysis by Site for Question 6

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.317		0.450	0.649	0.810
RR 9	0.641	1.000	0.503	0.119	0.206
RR 13	<b>0.024</b>	0.990	0.560	0.078	0.696
RR 19	0.316		0.445	0.437	0.125

Table 2.8 One-way ANOVA analysis by Site for Question 7

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.431		0.110	0.152	0.363
RR 9	0.563	0.545	0.738	0.735	0.120
RR 13	0.641	0.631	0.871	0.379	0.762
RR 19	0.114		0.066	0.393	0.718

Table 2.11 One-way ANOVA analysis by Site for Question 10

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.861	<b>0.002</b>	0.484	<b>0.024</b>	0.168
RR 9	0.835	0.507	0.803	0.978	0.081
RR 13	0.056	0.785	<b>0.031</b>	0.151	0.513
RR 19	0.267		0.272	0.882	0.514



Table 2.12 One-way ANOVA analysis by Site for Question 11

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.178	0.811	0.770	0.521	0.778
RR 9	0.538	0.729	0.659	0.560	0.154
RR 13	<b>0.043</b>	0.224	0.422	<b>0.037</b>	0.662
RR 19	0.267		0.272	0.882	0.514

Table 2.14 One-way ANOVA analysis by Site for Question 13

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.097	0.345	0.484	0.509	0.127
RR 9	0.269	0.445	0.412	0.906	0.311
RR 13	0.186	0.766	0.202	0.741	0.401
RR 19	0.329	0.676	0.449	0.486	0.238

Table 2.15 One-way ANOVA analysis by Site for Question 14

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.970		0.341	0.322	0.518
RR 9	0.047	0.910	0.148	0.620	0.964
RR 13	0.329	0.676	0.449	0.486	0.238
RR 19	<b>0.036</b>		0.550	0.388	0.842

Table 2.17 One-way ANOVA analysis by Site for Question 16

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.823	0.540	<b>0.041</b>	0.164	0.393
RR 9	0.067	0.754	0.559	0.957	0.550
RR 13	0.082	0.531	0.228	<b>0.002</b>	<b>0.013</b>
RR 19	0.181		0.288	0.410	0.107

Table 2.18 One-way ANOVA analysis by Site for Question 17

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.392		0.764	<b>0.005</b>	0.601
RR 9	0.220	0.646	0.644	0.940	0.505
RR 13	0.900	0.728	0.292	0.214	0.834
RR 19	0.349		0.846	<b>0.044</b>	0.614



Table 2.19 One-way ANOVA analysis by Site for Question 18

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.879	0.218	0.948	0.624	0.118
RR 9	0.136	0.751	0.690	0.410	0.267
RR 13	0.212	0.992	0.153	0.526	0.180
RR 19	0.456		0.427	0.647	0.341

Table 2.20 One-way ANOVA analysis by Site for Question 19

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.894		0.093	<b>0.033</b>	0.505
RR 9	0.353	0.644	0.279	0.480	0.538
RR 13	0.473	0.715	0.122	0.276	0.096
RR 19	<b>0.029</b>		0.244	0.144	0.138

Table 2.21 One-way ANOVA analysis by Site for Question 20

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.702		0.889	0.068	<b>0.005</b>
RR 9	0.575	0.846	0.170	0.809	0.470
RR 13	0.831	0.512	0.528	<b>0.022</b>	0.707
RR 19	0.558		0.461	0.165	0.105

Table 2.24 One-way ANOVA analysis by Site for Question 22

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.568	0.220	0.233	<b>0.041</b>	0.691
RR 9	0.355	0.290	0.989	0.651	0.505
RR 13	0.249	0.321	0.394	0.216	0.563
RR 19	0.642		0.111	0.170	0.335

Table 2.25 One-way ANOVA analysis by Site for Question 23

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.970	0.233	0.531	0.068	0.881
RR 9	<b>0.015</b>	0.347	0.686	0.958	0.592
RR 13	0.435	0.380	0.564	0.522	0.923
RR 19	0.112		<b>0.026</b>	0.548	0.362

Table 2.26 One-way ANOVA analysis by Site for Question 24

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.435	0.435	0.712	<b>0.012</b>	0.502
RR 9	0.362	0.389	0.943	0.317	0.595
RR 13	0.268	0.727	0.189	0.480	0.938
RR 19	0.356		<b>0.012</b>	0.329	0.247



Table 2.27 One-way ANOVA analysis by Site for Question 25

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.952	0.549	0.637	<b>0.005</b>	0.337
RR 9	0.359	0.271	0.855	0.758	0.494
RR 13	0.706	0.498	0.213	<b>0.039</b>	0.824
RR 19	0.063		0.082	<b>0.049</b>	0.793

Table 2.29 One-way ANOVA analysis by Site for Question 27

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.251	0.083	0.274	<b>0.012</b>	0.651
RR 9	<b>0.005</b>	0.699	0.666	0.667	0.839
RR 13	0.512	0.562	0.672	0.259	0.743
RR 19	<b>0.026</b>		0.669	0.632	0.233

Table 2.30 One-way ANOVA analysis by Site for Question 28

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.154	0.818	0.445	<b>0.016</b>	0.869
RR 9	0.096	0.520	0.692	0.487	<b>0.008</b>
RR 13	0.219	0.582	0.477	0.739	0.286
RR 19	<b>0.025</b>		0.359	0.244	0.796

Table 2.31 One-way ANOVA analysis by Site for Question 29

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.288	0.116	0.255	<b>0.000</b>	<b>0.029</b>
RR 9	0.062	0.692	0.424	0.334	0.519
RR 13	0.690	0.618	0.974	0.999	0.374
RR 19	0.773		0.827	0.644	0.805

Table 2.32 One-way ANOVA analysis by Site for Question 30

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.840	0.374	0.554	0.083	0.710
RR 9	0.735	0.786	0.602	0.782	0.447
RR 13	<b>0.046</b>	0.695	0.433	0.269	0.071
RR 19	0.539		0.538	0.233	0.273

Table 2.33 One-way ANOVA analysis by Site for Question 31

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.647	0.080	0.944	<b>0.002</b>	0.159
RR 9	0.729	0.682	0.115	0.495	0.210
RR 13	0.297	0.426	<b>0.042</b>	<b>0.004</b>	0.367
RR 19	0.703		0.374	0.604	0.563



Table 2.34 One-way ANOVA analysis by Site for Question 32

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.709	0.784	0.369	0.120	<b>0.022</b>
RR 9	0.518		0.266	0.683	0.165
RR 13	<b>0.013</b>	0.640	0.817	0.382	0.496
RR 19	0.658		0.796	0.268	0.892

Table 2.35 One-way ANOVA analysis by Site for Question 33

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.992	0.049	0.117	0.096	0.475
RR 9	0.185	0.989	0.675	0.449	0.271
RR 13	0.929	0.401	0.878	0.303	0.316
RR 19	0.643		0.146	0.189	0.168

Table 2.37 One-way ANOVA analysis by Site for Question 35

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.330	0.663	0.054	0.291	0.120
RR 9	0.171	0.738	0.079	0.530	0.145
RR 13	<b>0.015</b>	0.529	0.193	0.989	0.774
RR 19	0.137		0.601	0.865	0.397

Table 2.38 One-way ANOVA analysis by Site for Question 36

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.919	0.823	0.727	0.576	0.402
RR 9	<b>0.021</b>	0.884	0.442	0.233	0.439
RR 13	0.670	0.904	0.760	0.562	0.559
RR 19	0.447		0.214	0.205	0.663

Table 2.39 One-way ANOVA analysis by Site for Question 37

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.317	0.231	0.255	0.927	0.306
RR 9	0.107	0.067	0.255	0.520	0.360
RR 13	0.451	0.786	0.516	0.380	0.159
RR 19	0.865		0.424	0.085	0.606

Table 2.40 One-way ANOVA analysis by Site for Question 38

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.809	0.920	0.563	0.629	0.061
RR 9	0.240	0.888	<b>0.026</b>	0.411	0.560
RR 13	0.910	0.556	0.844	0.744	<b>0.033</b>
RR 19	0.786		0.020	0.135	0.923



Table 2.42 One-way ANOVA analysis by Site for Question 39

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.925		0.143	<b>0.043</b>	0.143
RR 9	0.249	0.237	<b>0.046</b>	0.688	0.746
RR 13	0.337	0.528	<b>0.045</b>	<b>0.034</b>	0.316
RR 19	0.640		0.122	0.556	0.346

Table 2.43 One-way ANOVA analysis by Site for Question 40

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.194	0.205	0.522	0.460	0.810
RR 9	0.631	0.302	<b>0.033</b>	0.866	0.476
RR 13	0.675	0.578	0.422	0.765	0.984
RR 19	0.357		0.817	<b>0.021</b>	<b>0.004</b>

Table 2.44 One-way ANOVA analysis by Site for Question 41

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.501	0.633	0.572	0.905	0.384
RR 9	0.977	0.951	0.231	0.565	0.379
RR 13	0.418	0.775	0.097	0.151	0.718
RR 19	0.114		0.683	0.377	0.152

Table 2.45 One-way ANOVA analysis by Site for Question 42

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.216	0.600	0.991	0.546	0.434
RR 9	0.356		0.935	0.556	0.845
RR 13	0.119	0.579	0.931	0.934	0.366
RR 19	0.241		0.731	0.389	<b>0.021</b>

Table 2.47 One-way ANOVA analysis by Site for Question 45

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	<b>0.001</b>		0.294	0.069	0.563
RR 9	0.810	0.977	0.951	0.182	0.628
RR 13	0.645	0.759	0.555	0.253	0.696
RR 19	0.351		0.446	0.183	0.376

Table 2.48 One-way ANOVA analysis by Site for Question 46

	F-values of Significant Factors				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.339	0.075	0.717	0.325	<b>0.005</b>
RR 9	0.180	0.676	0.463	0.348	0.856
RR 13	0.525	0.195	0.864	0.838	0.927
RR 19	0.772		0.878	0.076	0.378



Table 2.49 One-way ANOVA analysis by Site for Question 47

	<b>F-values of Significant Factors</b>				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.064	0.197	0.968	0.702	<b>0.041</b>
RR 9	0.911	0.246	0.723	0.433	0.245
RR 13	0.591	0.925	0.314	0.201	0.702
RR 19	0.950		0.704	0.129	0.332

Table 2.54 One-way ANOVA analysis by Site for Question 68

	<b>F-values of Significant Factors</b>				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.294		0.408	0.801	0.126
RR 9	0.727		0.101	0.440	0.355
RR 13	0.520		<b>0.028</b>	0.482	0.188
RR 19	0.596		0.160	0.990	0.525

Table 2.55 One-way ANOVA analysis by Site for Question 69

	<b>F-values of Significant Factors</b>				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.621		0.126	0.614	0.740
RR 9	0.265		0.265	0.366	0.161
RR 13	0.633		<b>0.023</b>	0.334	0.286
RR 19	0.298		0.250	0.918	0.259

Table 2.58 One-way ANOVA analysis by Site for Question 73

	<b>F-values of Significant Factors</b>				
	Position	Status	Nature	Scope	Years of Service
N.O.	0.387	0.167	0.105	0.199	0.329
RR 9	0.656	0.221	0.406	0.311	0.502
RR 13	0.886	0.429	0.115	0.356	0.356
RR 19	0.231		0.649	0.338	<b>0.024</b>

CORRUPTION VULNERABILITY ASSESSMENT



## 1. Issuance of Letters of Authority (LA)

### Background

The Bureau of Internal Revenue (BIR) is mandated to collect taxes. These taxes are collected based on either voluntary declarations of the taxpayer or through assessment based on audits, investigations or examinations of their books of accounts. These audits, investigations, or examinations are conducted pursuant to Letters of Authority (LA). It is this process of the issuance of LAs and the monitoring of their life which is now the subject of the Corruption Vulnerability Assessment (CVA). Naturally, however, the assessment include not only the process of the issuance of the LAs but also the process which it authorizes, which is the conduct of audits, investigations or examinations of taxpayers and their books of accounts.

### Description of the Process<sup>21</sup>

#### A. Selection of the Taxpayer and Issuance of the LA

On or before April 15 of every year, taxpayers file their returns at the Revenue District Offices. Because of the sheer number of these returns, not all of them can be audited, investigated or examined by Revenue Officers (ROs). For this reason, the Assessment Service prepares an annual audit program to guide district officers in the identification of taxpayers to be recommended for the issuance of LAs. The program prescribes uniform policies, guidelines and procedures in the audit of tax returns by the Revenue District Offices. It aims at enhancing taxpayer's voluntary compliance by encouraging payment of correct amount of internal revenue taxes through quality audit of tax returns.

From among the returns stored at the Document Processing Section (DPS) of the Revenue District Offices, the personnel of this section selects those which meet the criteria prescribed in the annual audit program and forwards them to the Revenue District Officer (RDO). The RDO then reviews the returns and from these draws a list of taxpayers to be recommended for the issuance of LAs. In consultation with the Chief of the Assessment Section (CAS), he will also identify and include in the list the RO and group to be recommended to handle the case. He will then submit the list to the Regional Director (RD) through the Chief of the Assessment Division (CAD) at the regional office for his approval or disapproval.

The Assessment Division reviews and evaluates the list recommending the issuance of LAs in order to determine compliance with the criteria and guidelines for selecting the taxpayers to be audited set in the annual audit program. The Division will also determine compliance with the policy that no taxpayer will be audited, investigated or examined by the same RO in two consecutive years and that case assignments to ROs do not go beyond the prescribed load limit. In case of discrepancy, the list will be returned to the Revenue District Office for rectification. Otherwise, it will be forwarded to the Office of the RD (ORD).

At the ORD, the list will again be reviewed and, if found to be in order, the staff designated to be the custodian of the LA forms will then prepare the LAs to be issued for the approval and signature of the RD. The LAs will include the name of the taxpayer to be audited, his address and tax identification number, the type of taxes and period to be examined, and the RO and Group Supervisor (GS) assigned to handle the case. The RD will then affix his signature in each of the LA as a sign of his approval thereof. After which,

---

<sup>21</sup>Revenue Regulations No. 12-99 re: Implementing the Provisions of the National Internal Revenue Code of 1997 Governing the Rules on Assessment of National Internal Revenue Taxes, Civil Penalties and Interest and the Extrajudicial Settlement of a Taxpayer's Criminal Violation of the Code through Payment of a Suggested Compromise Penalty.

Revenue Memorandum Order No. 15-95 re: General Policies in the Investigation of Tax Fraud Cases.



the staff of the ORD tasked to maintain the Letters of Authority Monitoring System (LAMS)<sup>22</sup> will encode in the system the LAs issued.

Once the LAs are approved and properly encoded in the LAMS, they will be transmitted to the RDO. The RDO will then forward the LAs to the concerned GS who will in turn forward the same to the RO assigned. The transmittal of these LAs are recorded or logged for control purposes.

## **B. Conduct of the Audit, Investigation or Examination**

Once the RO assigned receives the LA, he is required to serve the same to the taxpayer at the address stated within 5 (?) days from receipt thereof. The LA should be received by the taxpayer himself or by his authorized representative. The duplicate copy of the LA will be retained by the RO assigned to form part of the taxpayer's case docket. This duplicate copy must bear the signature of the authorized recipient and the date when it was received.

Served together with the LA is a checklist of documents required by the RO to be presented by the taxpayer for the preliminary investigation of the case. In compliance with the checklist, the taxpayer is expected to submit the documents listed. Otherwise, a second or third notice will be sent. If the taxpayer will still refuse to comply, the RO will transmit the case docket to the Legal Division for the issuance of subpoena. Once the documents are submitted, the RO assigned will evaluate them and assess the taxpayer's compliance with respect to his tax obligations.

After evaluating the documents submitted, the RO may decide to require additional documents and/or conduct a field audit or examination. At this stage, the RO may conduct an examination of the records, books of accounts and other documents at the taxpayer's premises. For this purpose, the RO assigned will arrange with the taxpayer for the schedule of the audit. The audit ends with an exit conference wherein the RO, usually accompanied by the GS, informs the taxpayer or his duly authorized representative of his initial findings.

After audit, investigation or examination, the RO assigned prepares a summary of his findings or observations on the tax compliance of the taxpayer. He is expected to discuss these findings with his GS, CAS and RDO. The taxpayer will then be formally notified of the findings or observations through a 15-day notice signed by the RDO. In effect, he is given 15 days within which to contest the findings and submit additional documents to prove his contention. If the taxpayer is able to refute the findings, the RO will prepare his report accordingly.

If the taxpayer failed to refute the findings, he has the option to pay the deficiency tax due. Otherwise, the RO assigned will prepare his report stating therein his findings or observations as contained in the 15-day notice and submit the case to the RDO for his approval. Once approved, the report and the case docket will then be forwarded to the Assessment Division. At this point, the staff at the office of the RDO tasked to update the status of LAs in the LAMS will prepare an entry to show the submission of the report.

## **C. Review and Issuance of Assessment Notices**

Once the Assessment Division receives the report and the case docket, its personnel will review the case to check the propriety of the application of laws, rules and regulations, verify the accuracy of computations, and determine the completeness of documents. If upon review certain discrepancies are discovered, the case docket is returned to the RO assigned for rectification. On the other hand, if the Assessment Division finds the report in order, a Preliminary Assessment Notice (PAN) will be prepared and will be submitted to the RD

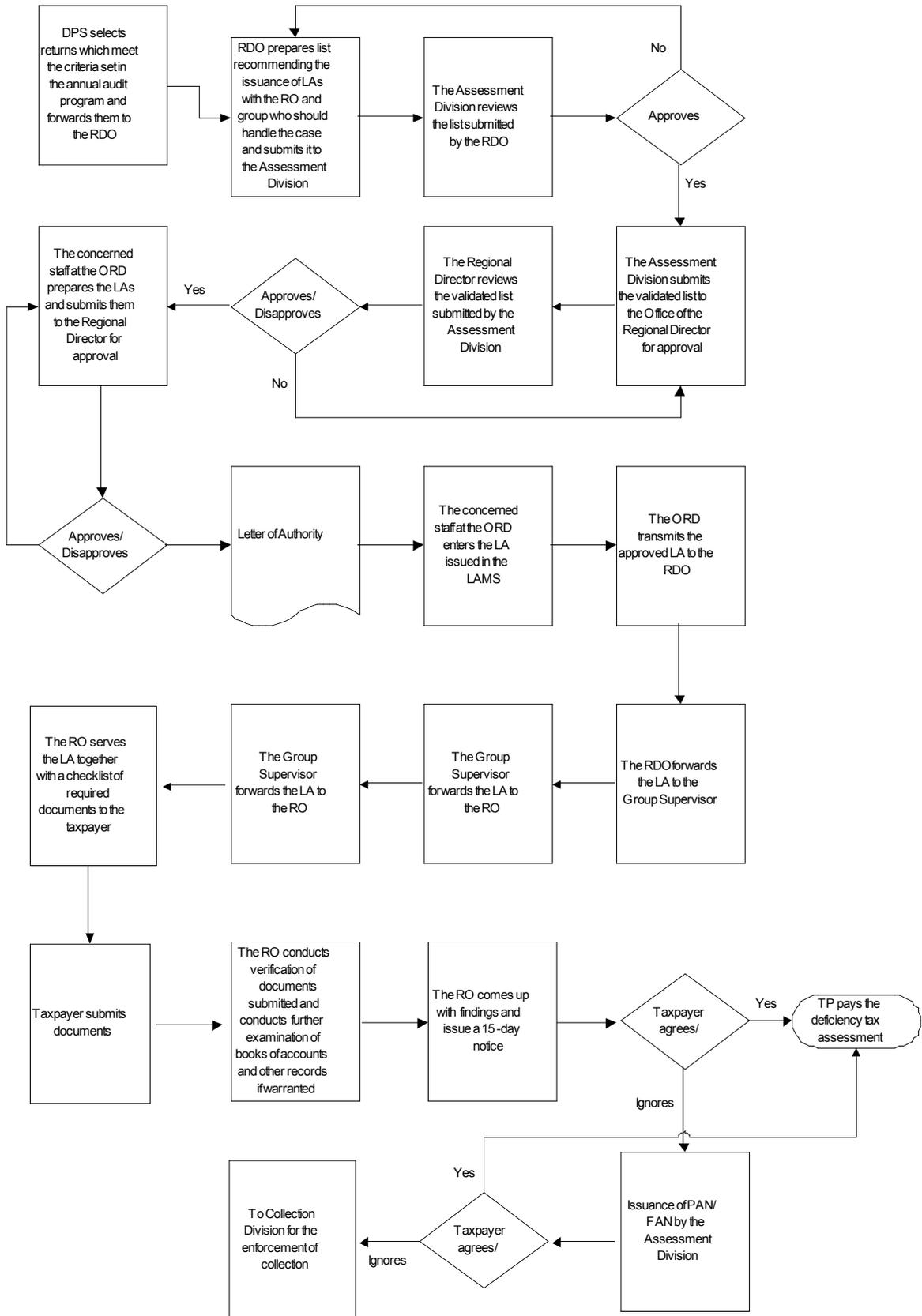
---

<sup>22</sup>Revenue Memorandum Order No. 8-2006 re: Prescribing Guidelines and Procedures in the Implementation of the Letters of Authority Monitoring System (LAMS).



for approval. Once approved, the PAN will be sent to the taxpayer in order to allow him to contest the preliminary assessment and submit additional documents to refute the findings. A conference may also be conducted between the taxpayer and the assigned reviewer in the Assessment Division to discuss the matter.

If the taxpayer fails to successfully contest the findings as contained in the PAN, a Final Assessment Notice (FAN) will be prepared and submitted to the RD for approval. Once approved, the FAN will be served to the taxpayer to officially assess him of the tax deficiency stated therein. The taxpayer is then given thirty (30) days to settle the tax deficiency. If, after proper receipt of the FAN, the taxpayer altogether ignores the notice, the case docket will be forwarded to the Collection Division. The said Division will then be expected to enforce the collection of deficiency tax as contained in the FAN.





## Major Risk Areas

### A. Selection of Taxpayers to be issued LAs

Because of the number of taxpayers and the number of tax returns filed every year, only a limited number can be subjected to audit, investigation, or examination by the limited number of ROs. As a result, the process of selecting which taxpayer and which tax returns will be subjected to such audit, investigation, or examination is naturally attended with risks. The preparation of the annual audit program attempts to address these risks by setting uniform criteria in the selection. However, this is obviously not enough.

From the selection of returns, to the preparation of the list recommending the issuance of LAs by the RDO, to the review of the list by the Assessment Division, and to the approval and issuance of the LAs by the RD, there are many opportunities for corruption.

The risks include: (1) the wrongful inclusion of a taxpayer even though not sanctioned by the annual audit program, (2) the deliberate omission of a taxpayer even though their audit, investigation, or examination is clearly sanctioned by the audit program, and (3) favoritism in the assignment of LAs issued.

We are aware that the several layers of review in the process are meant to address and check the above-mentioned possibilities. These layers of review include the review of the RDO of the tax returns selected, the review of the Assessment Division of the list prepared by the RDO, and the review of the ORD of the list reviewed by the Assessment Division before the final approval and issuance of the LAs.

However, these reviews appear to be effective only in addressing wrongful inclusions and the possible favoritism in assignments. There is no effective control at the moment to check the possibility that the personnel in charge of the selection may deliberately excludes returns from those to be forwarded to the RDO. This is especially true because the custody of the two (2) BIR copies of tax returns are generally not given to different personnel or section at the Revenue District Office.

There seems to be not enough mechanism to check whether RDOs have been recommending all taxpayers who meet the criteria set in the annual audit program for the issuance of LAs. The same is true on whether RDs issue LAs to all taxpayers who meet the criteria set in the annual audit program and as recommended by RDOs. These decisions (not to recommend on the part of the RDO and not to issue on the part of the RD) are potential cases of abuse of discretion.

The Attrition Law<sup>23</sup> and its recently published Implementing Rules and Regulations (IRR) will certainly help address the risk. However, we should not discount the possibility that BIR personnel can accomplish their targets and survive attrition while still favoring certain taxpayers by omitting them from the list of taxpayers who will be issued LAs. Clearly, more needs to be done.

### Recommendations

Presently, the annual audit program is prepared at the National Office by the Assessment Service with not much consultation with the Revenue Regions and Revenue District Offices. During our visits to the Regions, it was observed that there are still certain criteria not included in the annual audit program, which could be tapped or considered in order to generate additional revenues for the government.

It is important to conduct consultation sessions with RDs and RDOs because they are in a better position to know who are the taxpayers who should be audited. RDs and RDOs should then be allowed to help set the

<sup>23</sup> Republic Act No. 9335 re: An Act to Improve the Revenue Collection Performance of the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) Through the Creation of a Rewards and Incentives Fund and of a Revenue Performance Evaluation Board and for Other Purposes.



criteria in the annual audit program and should also be given some degree of discretion with respect to the application of the said criteria.

Also, since the personnel at the DPS have big responsibility with regards to the safekeeping of returns, and likewise they are the ones who were given the list of returns to look for, they are naturally vulnerable to corruption, because they can go back to the RDO and say that they were not able to locate the returns specified. It is therefore suggested that two (2) distinct personnel in the DPS should safe keep the two (2) copies of the returns. The DPS should issue certifications for non-existing returns and these certifications should be regularly audited to ensure authenticity. These personnel should be made liable for any unjustified loss of returns, records in their custody or wrongful issuance of certification.

In addition, it is suggested that the RDO or ARDO keep a masterlist of returns received and stored at the DPS. This is to provide a mechanism to counter-check and monitor the custody of returns. The masterlist will also be a means for the RDO to come up with a comparative analysis of taxpayers issued with LAs in the current year as compared to the previous year. It is also suggested that the Bureau should strictly implement "unless there is a return, no LAs can be issued" policy.

Finally, in order to check whether the LAs recommended by RDO are approved by the RD, Internal Auditors in the National Office should make the necessary audit and determine the justifications made by the RD in cases of non-approval of these LAs. This is to determine whether or not the RD made special treatments to taxpayers for non-inclusion in the audit.

## **B. Conduct of the Audit, Investigation or Examination**

The enforcement of tax laws, rules and regulations through the audit, investigation, or examination of taxpayers is one of the most important functions of the BIR. The behavior of personnel tasked to perform the above-stated function would necessarily affect the perception of the public of the whole Bureau. The Bureau would, therefore, do well to address the risks involved in the performance of the said function.

The audit, investigation, or examination of a taxpayer generally begins with the service of the LA to the taxpayer by the RO assigned up to the submission of the RO of his examination/investigation report to the RDO for his approval. Naturally, the process involves personal contact of the RO with the taxpayer or his authorized representative, usually without the presence of other BIR personnel. It also gives the RO a wide degree of discretion and tremendous power over the taxpayer. His actions are seldom checked by any other personnel in the Bureau, except when the taxpayer himself reports.

The risks include possible: (1) harassment of the taxpayer for the purpose of extortion, (2) bribery or the payment of bribes to the RO by the taxpayer, (3) deliberate omission by the RO of certain facts in his report in order to favor the taxpayer, and (4) collusion of the taxpayer and the RO to avoid proper assessment.

Existing controls include the supervision of the RO by the GS, the prohibition of the assignment of ROs from auditing, investigating or examining the same taxpayer in two (2) consecutive years, the policy of rotating the assignment of ROs every three (3) years, the review of the report of the RO by the GS, CAS, ARDO, RDO and the Assessment Division, and the Attrition Law and its recently published IRR.

A review of the controls would show that the GS, because of the number of investigations under his supervision, could not possibly be present in all instances where the RO meets with the taxpayer or his authorized representative. The prohibition of assignment for two (2) consecutive years offers little consolation because the RO assigned to audit the next year is not expected to look into the findings of the audit of the previous year. In addition, we have observed that the policy of rotating every three (3) years the



assignment of ROs to the different Revenue District Offices within the Revenue Region is not strictly implemented.

The review of the report of the RO by the GS, CAS, ARDO, RDO and the Assessment Division is also of limited effectiveness. The review naturally will consider only facts which are documented in the case dockets. Facts which an RO may deliberately omit from the records are difficult to spot and may not figure in the review. The Attrition Law and its IRR would probably help address the risks. However, we should not expect that the law will totally eliminate them.

It is also worthy to note that the complexity of some tax laws, rules and regulations adds to the already wide discretion of the Revenue Officer. This is because of the wide range of interpretations on the implementation of said laws, rules and regulations.

### **Recommendations**

In order to avoid incidence of corruption between the RO and the taxpayer, it is suggested that the Taxpayer's Bill of Rights be provided to the taxpayer upon service of the LA. It should be in printed form and should also contain information on who to contact in case of queries or complaints against the RO conducting the audit. These may include the contact information of the RDO, RD, the Internal Security Division or the Resident Ombudsman.

Also, it is suggested that, except for justifiable cases, presentations by ROs of their initial or final findings to the taxpayer should always be made at the BIR Office and not at the taxpayer's business office. In addition, stiffer penalties on violations related to the issuance of LAs (e.g. going beyond the 120 day period, prescribed cases) should be imposed. Command responsibility should also be applied.

In addition, Internal Auditors should regularly conduct revalidation or "revalida" of audits, investigations or examinations conducted pursuant to LAs issued. Revalida is the process of reviewing tax dockets to verify compliance of ROs to examination rules and regulations. It also verifies the proper application of appropriate tax rules and regulations by the RO during his examination/investigation of the case/docket. It is also suggested that the revalida should include interviewing the taxpayer to determine whether ROs conducted themselves in accordance to rules and regulations.

It may do well if the Bureau will initiate review of the tax laws, rules, and regulations that cause confusions as to their interpretations. Representation to the Legislative Body to make simpler laws would be highly beneficial.

### **C. Issuance and Service of Assessment Notices**

One of our realizations is that PANs and FANs are not monitored at the same level that LAs are monitored. This is perhaps because of the fact that PANs and FANs are issued based on audits, investigations, or examinations conducted pursuant to LAs issued and thus form part of the same case docket. Still we find no cogent reason why the LA is considered an accountable form while the FAN is not.

Possibilities abound because of the weak monitoring of PANs and FANs. Copies of such assessment notices can easily be used to extort money from taxpayers. The PANs or FANs may also be pulled out from case dockets, deliberately misplaced, or lost altogether, in order to avoid collection. Also, the service of such notices triggers contact between the taxpayer and BIR personnel which may lead to irregular transactions.

It is noticeable that while there are ready inventory lists and aging reports of LAs at different levels, there appears to be no systematic effort to maintain a list of PANs and FANs issued. This is unfortunate because



upon the issuance of the PAN or FAN, the tax deficiency of the taxpayer has been more or less determined and thus the risk of offers for its settlement naturally increases. It might therefore do the Bureau well to give more attention to the conduct of its personnel involved in this part of the process.

### ***Recommendation***

It is recommended that PANs and FANs be considered accountable forms like LAs. Accountable forms are pre-numbered forms whose control and accountability are strictly monitored. Making PANs and FANs accountable forms would not only establish their control and accountability but will also allow more effective monitoring. This is important because there could be instances when PANs or FANs may just be lost without a trace or may be issued to the same taxpayer more than once resulting to double assessment.

### **D. Conduct of Other Investigations**

It must be mentioned that, aside from those audits, investigations, or examinations conducted pursuant to LAs, ROs also conduct audits, investigations or examinations based on other documents like Tax Verification Notices (TVNs) and Letters of Notice (LNs). These documents originate and are signed by officials different from those who sign and approve the LA.

Audits, investigations, or examinations conducted pursuant to TVNs or LNs are similar to those conducted pursuant to LAs, though the manner and circumstance of issuance are different. These also result to a determination of the tax deficiency of a taxpayer. The risks involved are the same.

It might do the Bureau well to monitor TVNs and LNs in the same manner as LAs are monitored. The Bureau may consider a single monitoring system for all audits, investigations, or examinations, thereby expanding the coverage of the LAMS to include TVNs and LNs.

Also, considering that the risks are similar, audits, investigations or controls similar to that in LAs.

The LAMS was implemented in all District Offices, including the LTS and Enforcement Service, through the issuance of RMO No. 8-2006. It is a means to monitor and control LA issuance from the time it is released by the approving office up to its closure.

### ***Recommendations***

In support of the BIR's strategic objective of improving the Taxpayer and Taxfiler Database, a record containing complete information on all taxpayers and taxfilers nationwide should be maintained. Regular updates should be made by Revenue District Offices, Large Taxpayers Service (LTS), and National Investigation Division (NID) regarding their respective taxpayers. The record should include important details like the main business address, summary of tax payments made, address of branches (if any), Revenue District Office, etc. This information could help the BIR in preparing data presently required by Committee on Ways and Means of both the House of Representatives and the Senate.

Also, an Annual List of Taxpayers selected for issuance of LA should be maintained. This would be a tool in making comparative reports with regards to taxpayers issued with LAs in the current year as compared to the previous year. This would also help the BIR in profiling certain taxpayers and determining their historical data as regards to their tax payments, and would give a projection on their future payments.

On the LAMS, although the system is designed to help management in automatically tracking the status of LAs issued, there are still certain areas for improvement, i.e. the access time or link-up time of the system at some Revenue District Offices is still not that efficient making encoding of the status very slow; the "status"



column should include specific whereabouts of the case, not general statements like “open”, “closed”, “for investigation,” etc.

It is also recommended that audits, investigations or examinations conducted pursuant to TVNs or LNs should also be incorporated in the LAMS in order to come up with a single monitoring system for all audits, investigations, or examinations being conducted by the Bureau.

Finally, in order that the Bureau could maximize its investigation powers, it is highly recommended that the personnel complement in each of the investigating offices be commensurate to the number of its potential taxpayers.



**CVA Vulnerability Analysis Matrix**

LETTER OF AUTHORIZATION

<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
Drafting, issuance, dissemination of the annual audit program	Possibility of erroneous prioritization	<b>LOW</b>	<b>HIGH</b>	Process of drafting the annual audit program	Existing process may need to be enhanced by making it more consultative
	Risk that standard selection criteria may miss out a whole class of potential taxpayers	<b>LOW</b>	<b>HIGH</b>		
	Policies and procedures may lack proper controls	<b>LOW</b>	<b>HIGH</b>		
Selection of returns of taxpayers to be issued LAs	Possibility of omission of returns to favor a taxpayer	<b>MEDIUM</b>	<b>MEDIUM</b>	Supervision of Section Chief	Control may not be adequate and may need to be supplemented by regular audit of selection
	Possibility of loss of returns	<b>MEDIUM</b>	<b>MEDIUM</b>	Batch Control Sheets (BCS) and ITS Stop Filer System	Separate safekeeping of the two (2) BIR copies of the returns under different custodians may be considered
Preparation of the list of taxpayers to be recommended for the issuance of LAs:					
a. Identification of the taxpayers to be recommended	Possibility of omission to favor taxpayers	<b>HIGH</b>	<b>LOW</b>	Review of Assessment Division of list prepared	Review is more designed to check propriety of inclusions in the list rather than check deliberate



ACTIVITY	CORRUPTION RISKS	LIKELIHOOD OF OCCURENCE	SIGNIFICANCE OF IMPACT	CONTROL MECHANISM	AREAS FOR IMPROVEMENT
b. Identification Revenue Officer and Group to be recommended to handle the audit or investigation	Possibility of favoritism in the assignment of cases in terms of load	<b>LOW</b>	<b>LOW</b>	Monitoring thru the LA Monitoring System (LAMS)	omissions  Control may be supplemented by the conduct of regular audit of compliance of lists with the annual audit program  LAs issued this year may be compared with previous years through the maintenance of database
	Possibility of assignment of cases to ROs who may extend favors to the taxpayer or extort from them	<b>LOW</b>	<b>LOW</b>	Maximum no. of cases prescribed in the audit program  The Attrition Law and its IRR	The LAMS is an excellent monitoring tool, however, it remains not fully operational in many areas  While the Attrition Law may help ensure that LAs are maximized for collection purposes, how the law would apply remains unclear
c. Submission of list to the Assessment Division at the Regional Office or equivalent unit	None				
Review and validation of list submitted					



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
<p>a. Checking compliance with the annual audit program and the policy on previous year assignment and maximum work load</p> <p>b. Submission of list to the Office of the Regional Director for the issuance of LA (unless the Assessment Division will recommend revisions in which case the list will be sent back to the RDO)</p>	<p>Possibility of overlooking deviations to favor taxpayers or Revenue Officers</p> <p>None</p>	<b>MEDIUM</b>	<b>MEDIUM</b>	Supervision in the conduct of the review	Control would be more effective if sufficient personnel are assigned at the Assessment Division
<p>Preparation and issuance of the LAs:</p> <p>a. Preparation of the LA forms</p> <p>b. Approval and signing of the LAs</p>	<p>Possibility of omission or preparation of fake LAs</p> <p>Possibility of omission of certain taxpayers despite validated recommendation</p>	<b>MEDIUM</b>	<b>MEDIUM</b>	<p>LA considered an accountable form</p> <p>Review process before approval</p>	<p>Control adequate for the purpose</p> <p>Review is more designed to check propriety of inclusions in the list rather than check deliberate omissions Control may be supplemented by the conduct of regular audit of compliance LAs issued with the annual audit</p>



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
					program LAs issued this year may be compared with
					LAs issued this year may be compared with previous years through the maintenance of database
c. Encoding of LA entries in the LAMS	Possibility of deliberate non-encoding or erroneous entries in the LAMS	<b>LOW</b>	<b>LOW</b>	Defined and various levels of access to the LAMS	Control must be supplemented by regular systems audit
d. Transmittal of the LA to the RDO or equivalent officer for endorsement to the assigned RO and Group	Possibility of loss of LA	<b>LOW</b>	<b>LOW</b>	Maintenance of the LA Registry Book, record/ logbooks, and entries on the LAMS	Control adequate for the purpose
Service of LA to the taxpayer:					
a. Receipt of the LA and initial review of the case	None				
b. Service of the LA to the taxpayer with the checklist of required documents	Possibility of harassment, extortion or bribery	<b>MEDIUM</b>	<b>HIGH</b>	Presence/ guidance of the group supervisor in the service of the LA  Reading of the taxpayer's bill of rights  E-complaint	Due to the number of LAs to be served, the group supervisor may not be always present  Because Revenue Officers are



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
				system	sometimes alone during the service, reading of the rights may be omitted  For additional control, the taxpayer's rights may be required to be served in printed form together with contact or e-complaint information in case of violation
Conduct of the audit or investigation:  a. Evaluation of the documents presented or submitted by the taxpayer	Possibility of various irregularities including harassment, extortion, bribery, collusion with taxpayers, etc.	<b>MEDIUM</b>	<b>HIGH</b>	Supervision of Group Supervisors and Section Chiefs  Review of reports by RDOs and the Assessment Division	Controls are clearly inadequate to ensure that no irregularity occurs in the conduct of the field audit or investigation
b. Conduct of the audit or examination of the books of accounts  c. Conduct of the informal exit conference  d. Issuance and service of the 15-day notice  e. Receipt/ evaluation of documents submitted by	Possibility of deliberate mis-application of tax laws and regulations	<b>MEDIUM</b>	<b>HIGH</b>	120-day limit on the life of LAs  The Attrition Law and its implementing rules and regulations	It is recommended that controls be supplemented by additional measures like ethics training and integrity testing for Revenue Officers, stricter monitoring of their conduct, regular and institutionalized revalidation of cases by the Internal Audit



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
taxpayer  d. Preparation and submission of report to RDO and the Assessment Division					Division, etc.
Issuance of Assessment Notices:					
a. Review of the report of findings submitted by the Revenue Officer	Possibility that findings are not properly validated to favor or harass certain taxpayers or Revenue Officers	<b>MEDIUM</b>	<b>HIGH</b>	Review of the work of reviewers by Group Supervisors and the Assessment Division Chief	Controls would work better additional personnel are assigned at the Assessment Division
b. Issuance of the Preliminary Assessment Notice (PAN) including	Possibility of reduced assessments or unauthorized compromises	<b>LOW</b>	<b>HIGH</b>	Authorized signatories in the issuance of PAN and the practice of conducting conferences at BIR offices	The PAN may be made an accountable form in order to ensure accountability
c. Conduct of conference with the taxpayer	Possibility of reduced assessments or unauthorized compromises	<b>LOW</b>	<b>HIGH</b>	Authorized signatories in the preparation of the FAN	The practice of conducting conferences only at BIR offices should be institutionalized and deviations should require special authority
d. Issuance of the Final Assessment Notice (FAN)					The FAN should also be made an accountable form
Settlement of the tax deficiency by	Possibility of selective enforcement	<b>HIGH</b>	<b>HIGH</b>	Supervision of the Collection Division Chief	PANs and FANs should be monitored at the



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
payment of taxpayer/ collection by the Collection Division					same level that LAs are monitored



## 2. One-Time Transactions (ONETT)

One-Time Transaction or ONETT was subjected to the Corruption Vulnerability Assessment because the survey results<sup>24</sup> showed that the most common complaint of taxpayers was the delay in the release of their documents whether it was linked to long processing times, red tape and bureaucratic procedures. ONETT transactions involve a material amount of money. If corruption occurs, it is expected that such will have significant negative impact on the Bureau's reputation, governance, strategic and financial objectives, is expected.

### Description of the ONETT Process

#### Background

ONETT covers transactions subject to Final Capital Gains Tax on sale of real properties considered as capital assets as well as Capital Gains Tax (CGT) on the Net Capital Gain on sale, transfer or assignment of stocks not traded in the Stock Exchange(s), Expanded Withholding Tax on sale of real properties considered as ordinary assets, Donor's Tax, Estate Tax and other taxes related thereto including Documentary Stamp Tax (DST).

#### ONETT Process

The ONETT procedure is embodied in Revenue Memorandum Order (RMO) No. 15-2003 dated May 8, 2003. Presented below is a synopsis of said procedure.

The Revenue District Officer (RDO) creates the ONETT Team through the issuance of Revenue District Special Assignment Order (RDSAO). The ONETT Team is composed of Revenue Officers (ROs) and support staff. It is under the direct supervision of the RDO, unless otherwise delegated to the Assistant Revenue District Officer (ARDO). The ONETT Team is assigned for a period of one (1) month and automatically extended until the issuance of another RDSAO. They provide frontline services and attend to all ONETT Taxpayers' (TP) needs.

The first activity in the ONETT Process is the submission of documents related to the above-mentioned transactions. Upon submission, the ONETT member verifies the existence of the TP's Tax Identification Number (TIN). If the TP does not have a TIN, the TP will then be asked to get one. Otherwise, the ONETT member checks the completeness and authenticity of the presented documents. If submitted documents are in order, the original Checklist of Documentary Requirements (CDR) is released to the TP. Else, the ONETT member returns the CDR and attached documents to the TP for completion.

An ONETT member recommends the conduct of ocular inspection to the Head of ONETT Team when there is a conflicting data (e.g. improvements, invokes special law for lesser tax payments, etc.) on the documents presented and conducts ocular inspection.

After the verification of the requirements is completed and no conflicting data have been found, an ONETT member then computes the tax. The Head of ONETT Team approves the CDR and computation sheet. After these activities, the ONETT member assists the TP in filling-up the necessary BIR forms. The TP is then required to pay the tax due through the bank or Revenue Collection Officer. The ONETT member then prepares the Certificate Authorizing Registration (CAR) and verifies the payment of the tax. The CAR is then forwarded to the Head of the ONETT Team for approval then released to the TP. As an additional control measure, the CAR, before it is processed by the Register of Deeds (RD), is first verified by a BIR employee (Data Verifier) detailed at the RD.

---

<sup>24</sup> 55.25% of the respondents across all sites.

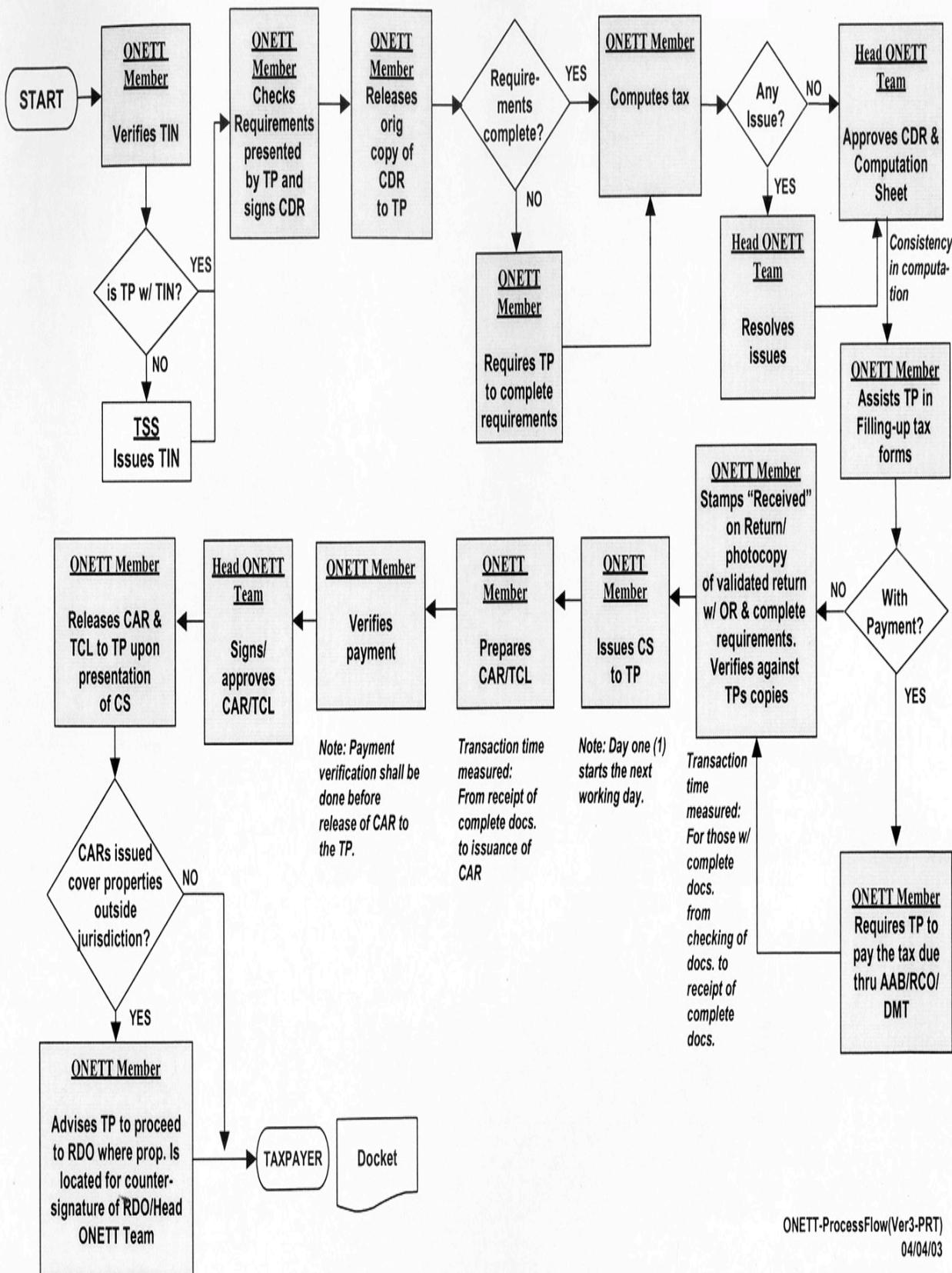


The ONETT dockets are then transmitted to the Assessment Division for review. The dockets are subjected to mandatory review for the following cases: estate tax, donor's tax, capital gains tax on sale of stocks not traded in the Stock Exchange, other ONETT transactions involving tax payments of at least P1M per case and transactions exempted from FCGT/EWT (e.g. principal residence, community mortgage program (CMP), socialized housing, tax-free exchange under Section 40 (c)(2) of the NIRC of 1997). For transactions with tax payments of less than P1M per case, selective review is conducted on at least 10% of the dockets submitted. If the review results to additional tax assessments, the docket is returned to the Revenue District Offices for the collection of the deficiency tax. Otherwise, the docket is forwarded to the Administrative Division for safekeeping.



1

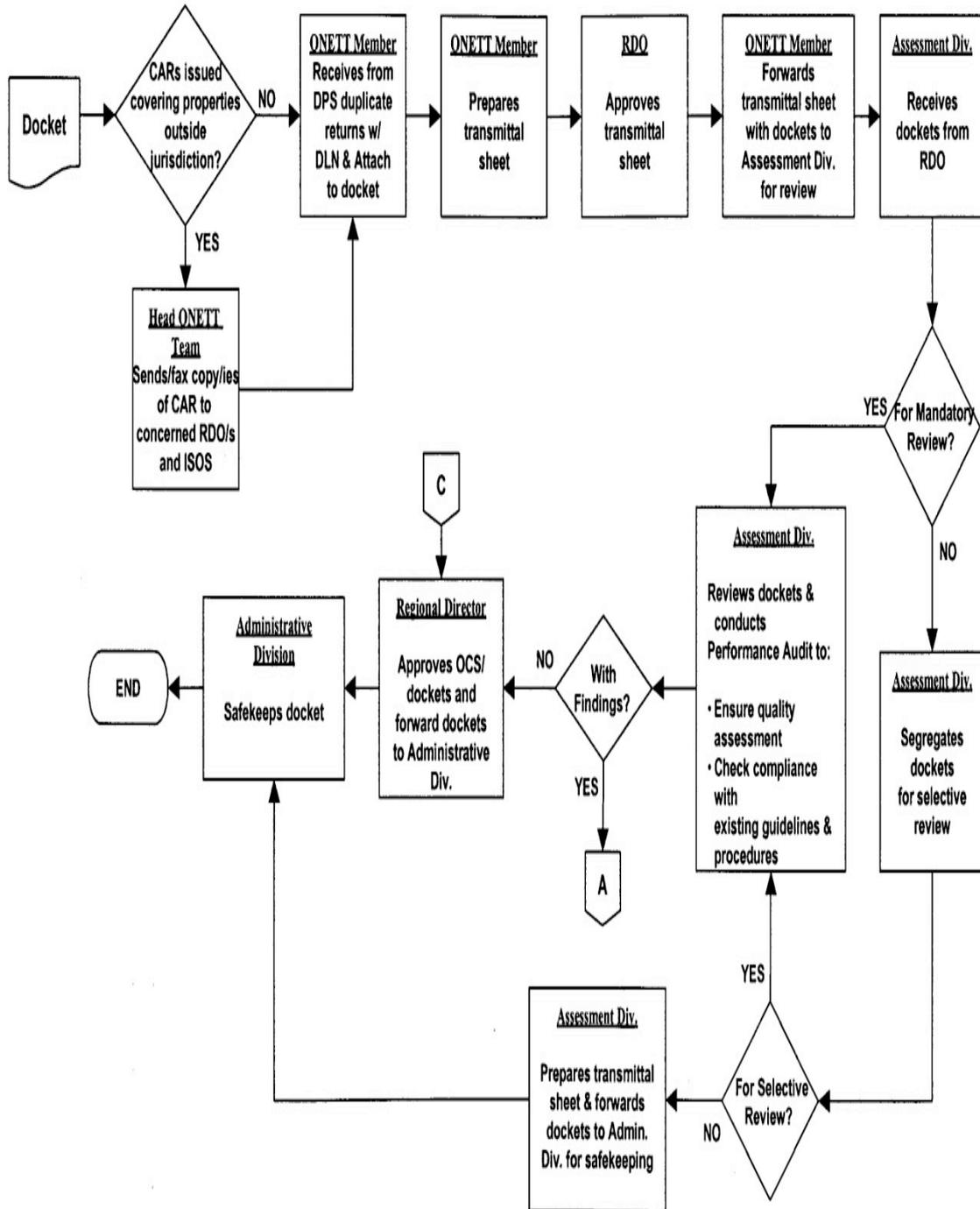
# ONE-TIME TRANSACTION (ONETT) PROCESS FLOWCHART





2

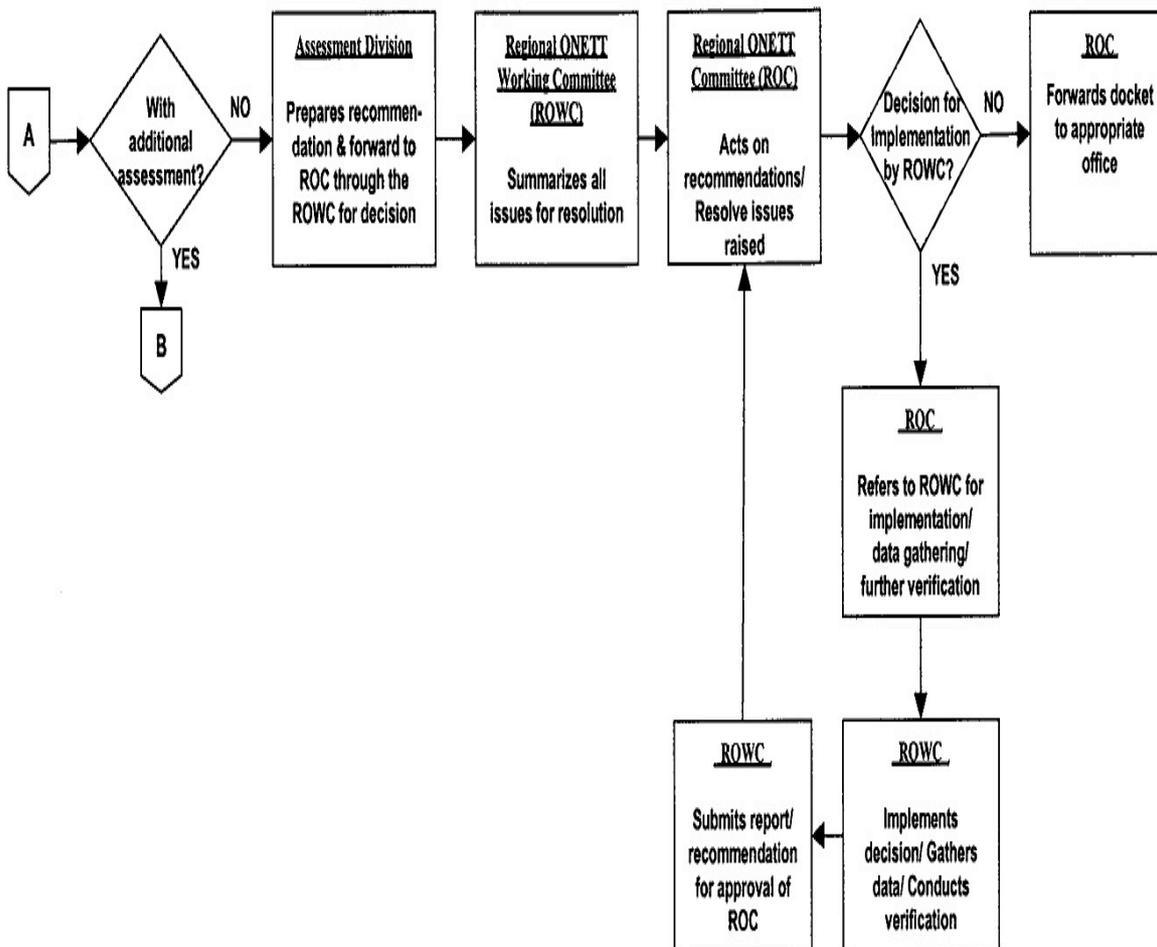
## ONE-TIME TRANSACTION (ONETT) PROCESS FLOWCHART





3

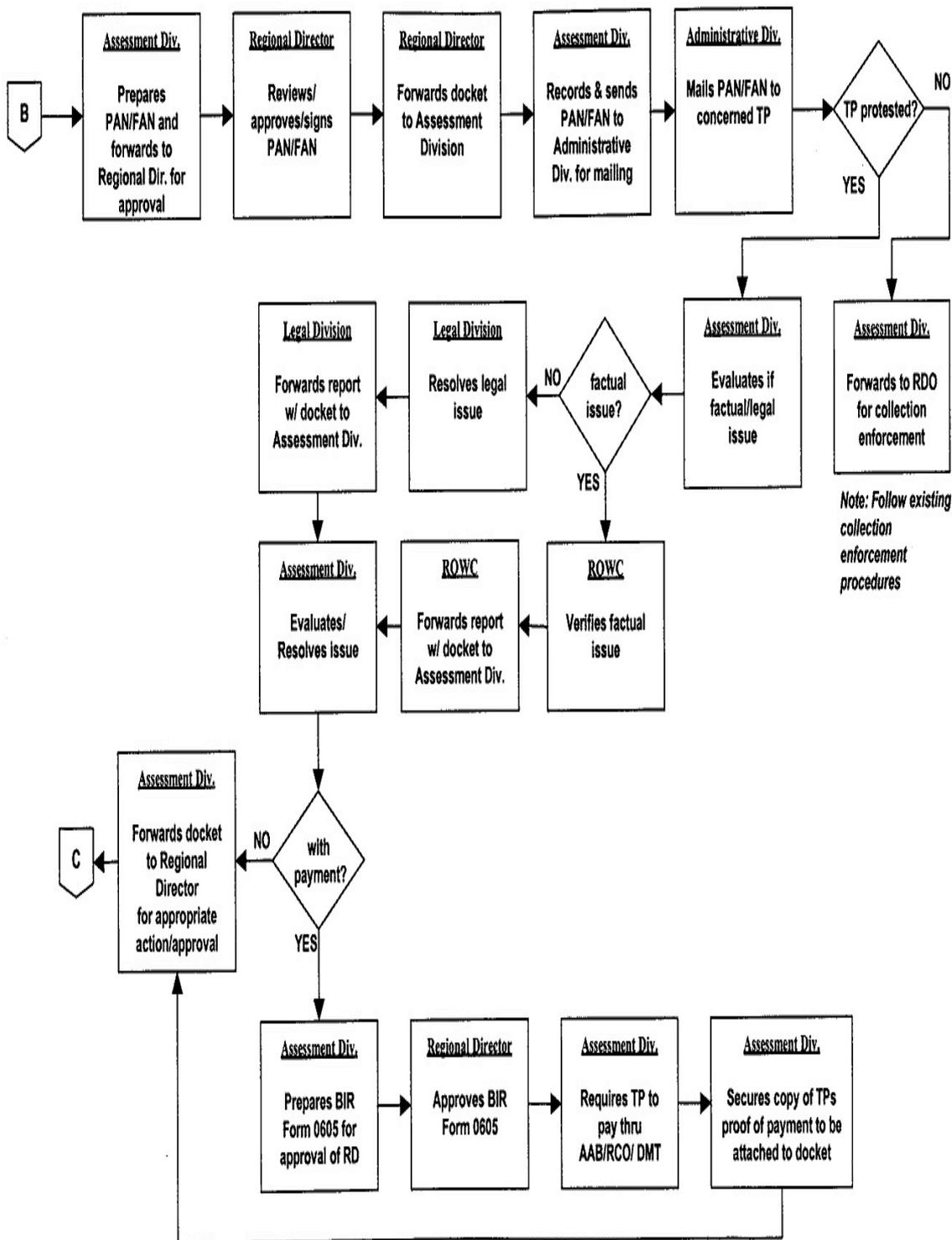
## ONE-TIME TRANSACTION (ONETT) PROCESS FLOWCHART





4

## ONE-TIME TRANSACTION (ONETT) PROCESS FLOWCHART





## Major Risks/Vulnerabilities and Recommended Actions

Discussed below are the ONETT activities that are vulnerable to corruption, the corruption risk factors, the evaluation of likelihood of occurrence and significance of impact of the risk factors, the existing control mechanism that is built-in the process, and the areas for improvement or recommendations. Also discussed are the opportunities for corruption for each of the vulnerable steps.

### A. Deliberate Miscalculation of Tax

An ONETT member might deliberately miscalculate tax, e.g. deliberate misclassification of real property (residential instead of agricultural), for a potential negotiation with the TP. To date, there are control mechanisms installed but its probability of occurrence is high because an ONETT member has the monopoly of the process of transactions and there might be a connivance between the ONETT member and the TP. Its impact is significant because it may cause loss of revenue.

The control mechanisms (e.g. publication of tax rates and zonal valuation, review and approval of CDR and OCS by Head of ONETT Team) installed by the agency can be reinforced by: (a) selecting a group supervisor from among the ONETT Team members to perform review function (1<sup>st</sup> level) before submitting the documents to the ONETT Head for final review and approval or review by the Section Chief of the Assessment Section; (b) providing information to TP on how to compute for Capital Gains Tax; and, (c) computing tax only if documents are complete and notarized and giving sanctions for erroneous tax computation.

### B. Improper/Inadequate Review by the Assessment Division

The Assessment Division conducts mandatory and selective review of ONETT cases submitted. The corruption risk factor for this step is the possibility of collusion between the personnel of the Assessment Division and the Revenue District Office to facilitate review or non-review of dockets. However, the occurrence is unlikely though its impact is medium.

The assessment team recommends that there should be a prescribed way of doing the sampling and assigning of dockets to Assessment Division personnel, the heads should reinforce implementation of the review and non-compliance must be sanctioned. Moreover, the Internal Audit Division should strengthen the monitoring of the review of ONETT cases.

### C. Non-ocular Inspection of Real Property of TPs

The ONETT member who verifies all the submitted documents has the sole discretion on deciding what real property to recommend for ocular inspection and performs the ocular inspection<sup>25</sup>. He/She controls or monopolizes process of a transaction making it highly vulnerable to inappropriate/fraudulent actions (collusion between the ONETT member and the TP).

The assessment team reiterates the need for a group supervisor of ONETT Team to perform a *detailed review* of related activities as a compensating control mechanism. The assessment team also recommends that the size, type and location of real property that requires mandatory inspection be specified in the policy, provide enough logistics for conducting mandatory ocular inspection and to have a formal arrangement with the Local Government Units (LGU) for greater reliability on released certifications, e.g. furnishing the BIR with the database of real property improvements.

---

<sup>25</sup> To date, ocular inspection is seldom performed because of lack of manpower and logistics.



#### **D. Non-rotation of Revenue Officers to Perform ONETT Functions**

In the conduct of CVA, it was observed that the RDO has the *sole discretion* on the selection and extension of assignment of the ONETT Team. It was also observed that there were inconsistencies in the application of the prescribed period of one (1) month in all CVA sites. In one District, assigned Revenue Officers perform ONETT functions for just one (1) week instead of one (1) month while the other districts follow RMO No. 15-2003.

Although, the likelihood of occurrence of corrupt practices in this stage of the ONETT process is low because of the control mechanisms installed, having *sole discretion* may create problems (e.g. the RDO may be perceived to be playing favorites<sup>26</sup>, undetected inappropriate actions due to non-job rotation) for the BIR because of its high impact.

It is recommended that policy indicated in RMO No. 15-2003 be implemented consistently and that the Revenue Officers should not be assigned as ONETT Team member for successive months.

#### **E. Other Recommendation**

We suggest that the above assessment be shared with the Taskforce created under EO 525 dated April 10, 2006, that is attached to PAGC, empowered to investigate irregularities committed in relation to the payment of taxes in the Transfer of Title of Real Properties.

---

<sup>26</sup> Per survey result, from among the different types of corruption, negligence of duty and nepotism/favoritism were rated with moderate likelihood of occurrence in BIR (questions 49 and 53).



**CVA Vulnerability Analysis Matrix  
ONE-TIME TRANSACTION (ONETT) PROCESS**

<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
Create the ONETT Team (issuance of RDSAO)	Only those employees favored by the RDO may be selected (Favoritism) or there will be no rotation after the prescribed period that might result to entry of corrupt agents.	<b>LOW</b>	<b>HIGH</b> Reputation: Significant drop in public confidence Governance: Serious breach of law or regulations Strategic Objectives: Failure to achieve BIR goal Financial: Tax leakage	Assignment of team is time bound (1 month)	It is recommended that policy indicated in RMO No. 15-2003 be implemented consistently and that the Revenue Officers should not be assigned as ONETT Team member for successive months.
Verify TIN					
Check Requirements presented by Tax Payer (TP) and signs Checklist of Documentary Requirements (CDR); Release of original copy of CDR to TP					TP to submit vicinity map and or sketch plan to help ocular inspectors locating the real property.
Conduct of ocular inspection (optional)	Monopoly process of transactions, possible collusion between ONETT Members and TPs	<b>HIGH</b>	<b>HIGH</b> Reputation: Significant drop in public confidence Governance: Serious breach of law or regulations Strategic Objectives: Failure to achieve BIR goal Financial: Tax leakage	Review and approval of CDR and OCS by Head of ONETT Team	This area can be improved by performing detailed review by group supervisor, setting the size, type and location of the lot that will require mandatory inspection, having a formal arrangement with the LGU for greater reliability on released certifications and providing enough manpower and or



					logistics.
Compute Tax	An ONETT member might deliberately miscalculate tax for a potential negotiation with the TP.	<b>HIGH</b>	<b>HIGH</b> Reputation: Significant drop in public confidence Governance: Serious breach of law or regulations Strategic Objectives: Failure to achieve BIR goal Financial: Tax Leakage	<ul style="list-style-type: none"> <li>Publication of tax rates and zonal valuation</li> <li>Attrition law</li> <li>Review and approval of CDR and OCS by Head of ONETT Team</li> </ul>	This can be further improved by selecting a Group Supervisor from among the team members to perform review function (1 <sup>st</sup> level) before submitting it to the head for final review and approval, providing information to TP on how to compute for Capital Gain Tax, computing tax only if documents are complete and notarized and giving sanctions for erroneous tax computation.
<ul style="list-style-type: none"> <li>Approve CDR &amp; Computation Sheet</li> <li>Assist TP in filling-up tax forms</li> <li>Stamp "Received" on Return/photo copy of validated return w/ OR &amp; complete requirements . Verify against TPs copies</li> </ul>				<ul style="list-style-type: none"> <li></li> </ul>	

<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
-----------------	-------------------------	---------------------------------	-------------------------------	--------------------------	------------------------------



<ul style="list-style-type: none"> <li>• Issue Claim Slip (CS) to TP</li> <li>• Prepare CAR/TCL</li> <li>• Verify payment</li> <li>• Sign/approve CAR/TCL</li> <li>• Release CAR &amp; TCL to TP upon presentation of CS</li> </ul>					
Receive docket from RDO for review					
Mandatory/Selective Review or no review	The possibility of collusion between the personnel of the Assessment Division and the Revenue District Office to facilitate review or non-review of dockets.	<b>LOW</b>	<b>MEDIUM</b> Reputation: medium drop in public confidence Governance: medium breach of law or regulations	Policy regarding mandatory/selective review or no review	There should be a prescribed way of doing the sampling and assigning of dockets, the heads should reinforce implementation of the review and non-compliance must be sanctioned the Internal Audit Division should strengthen the monitoring of the review of ONETT cases.
Safe keep docket					



### 3. Recruitment and Promotions

The Bureau's Human Resource Management system specifically its Recruitment and Promotions process became the subject of the Corruption Vulnerability Assessment (CVA) because of the disparity between the results of the Integrity Development Assessment (IDA) and the Survey of Employees. The participants of the IDA [composed of the heads of offices of the Bureau] claimed that the guidelines for recruitment and promotions are in place and are being enforced strictly. The Survey of Employees, conducted as part of the Corruption Resistance Review of the Bureau, indicated otherwise. Majority of the survey respondents believed that the process of recruitment and promotions in the Bureau is not free from external influences<sup>27</sup>.

#### Description of the Recruitment and Promotions Process

The first step in the recruitment and promotion process is the publication of vacant positions in accordance with Republic Act No. 7041. The Personnel Officer validates the existence of vacancies both for recruitment and promotion and determines the qualification standards (minimum requirements for a particular position). The objective of the publication is to inform and attract prospective applicants who can best perform the functions of the vacant positions. As the need arises, the vacancies are published in the Civil Service Commission (CSC) Bulletin or in newspapers of general circulation. The notice of vacancies includes information on the position title, salary grade (SG), item number and the qualification standards (QS) or minimum requirements for applicants such as education, experience, training, and civil service eligibility. The BIR adopts the QS of positions in the government service as prescribed by the CSC, however, it also requires additional requirements to the prescribed QS in order to hire candidates who have specific qualifications and competencies necessary for the job (e.g. QS set for unique positions such as Revenue Officers in the assessment, collection, excise, document processing, tax assistance and the Intelligence Officer/Special Investigation groups). The lists of vacant positions are posted in at least three (3) conspicuous places at the BIR as well as in its website.

Applications for recruitment and promotions are received through mail or submitted by walk-in applicants while the list of promotable personnel and evaluation matrices together with the supporting documents are sourced from the different offices of the Bureau. The Receiving Clerk of the Personnel Division maintains a logbook for the purpose. All applications are then forwarded to the Personnel Division Chief who determines the appropriate action on the application and assigns either to the Section Chief, Career Management Section (CMS) if action involved is recruitment or to the Section Chief, Manpower Management Section, if for promotion.

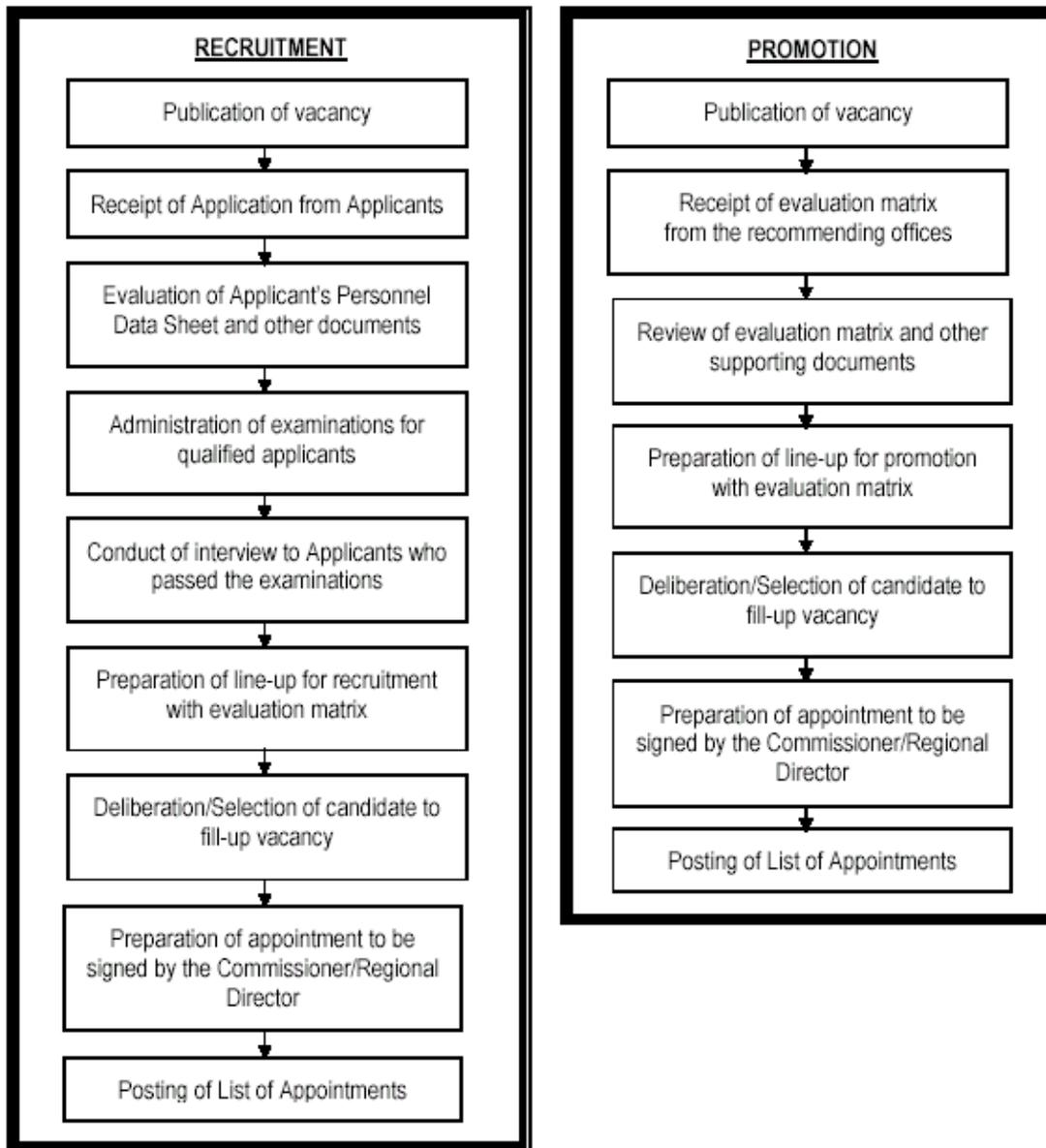
The Personnel Officer, CMS evaluates the personal data sheet and other supporting documents submitted to initially screen applicants for testing. Applicant/s who either pass or fail the preliminary screening are informed in writing. If the applicant is qualified, the Personnel Officer sends notice of examinations. If the applicant fails the exams, he will receive a letter of regret. Those who passed the examinations are interviewed to obtain additional information. Successful examinees are included in the databank reserved for manpower pooling.

---

<sup>27</sup> The overall agency score of the BIR for statement 14 (The process of recruitment and promotions in our agency is free from external influences) is 2.62. A score higher than 2.50 indicates disagreement to the statement. The negative perception on the independence or autonomy of the recruitment and promotions process of the BIR is more pronounced in the National Office (with a score of 2.67) and RR13 (with a higher "disagreement" score of 2.96).



**Flowchart on Recruitment and Promotion Process**



If a vacancy exists, application papers of successful examinees are forwarded to the Chief, Manpower Management Section (MMS) and assigned to a Personnel Officer to further evaluate to which position the applicants' qualifications are best suited. The corresponding recruitment or promotional lineup is then prepared, as the case may be. All relevant documents (e.g. PDS and certificate of CS eligibility) are attached to the selection lineup, which is a comparative matrix on the education, experience, training, civil service eligibility, performance rating (if applicable), and relevant work accomplishments of the applicants. The selection lineups or listings of candidates for recruitment or promotion, together with all the supporting documents are then routed to the section Chief, MMS, the Assistant Chief and the Chief of the Personnel Division for review.



The final lists are submitted to the Personnel Selection Board (PSB)<sup>28</sup>, for the National Office, and the Regional Selection Board (RSB)<sup>29</sup>, for the Regional Office, for deliberation and selection of the most qualified candidate/s. The members of the PSB determine en banc the applicant/s whom it considers most qualified for the position and recommend the same for appointment by the Commissioner of BIR in the National Office, and for appointment by the Regional Director in the Regional Offices for positions carrying salary grade 11 and below.

The Personnel Officer/Action Clerk prepares the appointment to be signed by the Commissioner for appointees in the National Office while the HRMO/Action Clerk prepares the appointments to be signed by the Regional Director for positions with SG 11 and below in the regional offices. This is in consonance with Revenue Memorandum Order No. 32-95 which decentralized the authority to regional directors for positions with salary grade 11 and below. Once the original/promotional appointments are signed, a list of names of the appointees is posted on at least three (3) conspicuous places in the Bureau and its website for the information of the general public.

## **Major Risks/Vulnerabilities and Recommended Actions**

### **A. Publication of Notice of Vacancy**

The publication of notice of vacancy (NoV) is critical in the effort to attract competent applicants. The risks involved in this step may include (a) the delay of the publication of the NoV or worse, (b) non-publication in violation of RA 7041. Delays may occur to give time to candidates to satisfy certain eligibility or educational requirements (e.g. completion of a master's degree) to the prejudice of other candidates or applicants.

Subjecting the simple task of publishing NoVs to random audits [to check their compliance to RA 7041 and other CSC guidelines] can considerably increase the accountability of concerned officers and employees. The Bureau may also consider providing timelines the publishing of NoVs.

### **B. Receipt of Application Materials**

The Bureau has explicitly discouraged and even penalizes the solicitation of recommendations for promotions through the issuance of RMO 22-89. The said RMO considers the solicitation of recommendations unethical and prejudicial to other deserving employees. For new appointments, it appears that the Bureau has not adopted the same practice. As a result, some applicants still attach political recommendations in their application letters in addition to the required documents like resume and transcript of records. This is a major risk area because such practice can create the impression that those who have political recommendations can bypass other candidates in terms of process<sup>30</sup> or in the appointment itself.

The Bureau may do well to adopt the same practice embodied in RMO 22-89 by discouraging applicants from soliciting recommendations. Recommendations should not be made part of the records of applicants. The Bureau may also consider coming up with a standard reply [to officials who give recommendations] stating that appointments are strictly based on merit.

<sup>28</sup> Pursuant to RMO 16-94 dated March 1, 1994, the National Office PSB includes the following: Chairperson – Deputy Commissioner (DCIR)-Resource Management Group (RMG); DCIR of the organizational unit where the vacancy is; Assistant Commissioner (ACIR) of the Human Resource Development Service; ACIR of the organizational unit where the vacancy is; Two (2) elected representatives from the rank and file employees, one from the 1<sup>st</sup> level and one from the 2<sup>nd</sup> level; and the Personnel Division as secretariat.

<sup>29</sup> Pursuant to RMO 7-2003 dated March 18, 2003, the Regional PSB includes the following: Chairperson – Regional Director or his/her duly authorized representative; Division Chief or Revenue District Officer where the vacancy is located; Head of the HRMU; Two (2) elected representatives from the rank and file employees, one from the 1<sup>st</sup> level and one from the 2<sup>nd</sup> level; and the HRMU as secretariat.

<sup>30</sup> The documents of applicants with political recommendations may be reviewed ahead of that of other candidates.



### **C. Evaluation of the Qualifications of Applicants**

A major risk in this step is the falsification of documents by both applicants and current employees. Applicants may submit erroneous or misleading information. There were instances in the past when applicants did not reveal their correct age and/or submitted documents erroneously showing that they were board passers, civil service eligibles, or master's degree holders. It appears that existing controls in the agency to prevent or detect even the simple falsification of personal information like age are not adequate, or if adequate, not timely. The current practice is to verify the authenticity of documents only after the PSB has recommended that the applicant be appointed. There were instances in the past when the Bureau had to terminate a new employee after discovering that he submitted spurious documents. It is a good practice to check the authenticity of application documents before the line-up is submitted to the PSB for deliberations.

### **D. Administration of Examinations**

The major risks and vulnerabilities include the following: (a) leakage of examinations, (b) outmoded examinations, and (c) inadequate capacity of regional offices to administer and interpret examinations.

The test questionnaires of the national office are kept inside old steel cabinets secured only by chained locks. Two (2) personnel officers have access to these cabinets. One officer may open the cabinets even without the presence of the other. This is a major risk area because any of them can steal copies of the questionnaires to leak the examinations. This risk is compounded by the fact that the testing room is also used as a photocopying room to which other employees have access. It is possible that the cabinets can be forcibly opened by anyone who has access to the testing room.

The Bureau may consider providing an exclusive room for test administration and safekeeping of all vital documents relative to recruitment and promotions. This room must be provided with cabinets with safes. There must be a proper inventory of questionnaires to determine or detect missing questionnaires at any given time. The accountability of the concerned personnel officers must be explicitly established through an office order. Lastly, it is best to remove the photocopier from the testing room to maintain its exclusivity.

The examinations administered to applicants are thirty-seven years (37) old, which raises doubts as to its effectiveness as a tool to screen out incompetent applicants. The Bureau may consider purchasing an updated set of questionnaires or develop it internally. In either case, adequate funding has to be provided. It is also recommended that new type of examinations (e.g. Risk Profiling Exam) which may establish the tendency of prospective employees to become corrupt be purchased and administered to all applicants of the Bureau.<sup>31</sup>

The regional offices do not give examinations similar to that administered in the national office. In the case of RR19, the Personnel Officer (P.O.) himself prepares the examinations. In RR13, two external providers (e.g. University of San Carlos) administer examinations to all applicants of the regional office. Both practices have inherent risks. In RR19, the concerned P.O. may leak the exams. In RR13, the examinations providers may also do the same because they are technically not accountable to the regional office. RR13 does not have contract with the two examination providers. It is to the advantage of RR13 to execute a Memorandum of Agreement (MOA) with these examination providers to establish their accountability on the proper administration of examinations and releasing of test results. The regional office may also consider sending a representative from the HRMU to regularly observe and participate in the conduct of examinations.

---

<sup>31</sup> The Bureau is now in the process of purchasing the latest assessment tool and this is also to be distributed to regions.



In order to properly interpret the results of examinations especially on the behavioral and psychological part or aspect, the Bureau may consider regular visits of National Office based psychometrician to the regions. It may also consider accreditation of examination providers.

#### **E. Preparation of Line-up for Initial Appointment/Promotion**

The major risk involved in this step is the omission of vital information (e.g. eligibility, accounting units earned) of applicants or promotable employees. Such omission is critical because it may lead to the non-appointment of the most qualified candidate. The second or third-best candidate may be appointed if one vital information on the best candidate is omitted. To minimize its occurrence, all supporting documents of each of the applicants should be attached to the comparative matrices to allow reviewers to detect inconsistencies/omissions easily.

#### **F. PSB Deliberations to Select the Most Qualified Candidate**

The major risk identified is the potential information asymmetry between (a) the regional office (where there is vacancy) and (b) the national PSB, which is mandated to recommend the most qualified candidate to the vacant position.

It is possible that the information available to the national PSB may not be sufficient to allow the members to choose the most qualified candidate to occupy a vacant position (i.e., with salary grades SG 12 and above) in a regional office. There may be relevant information that are available to regional directors and revenue district officers but may not be reflected in the evaluation matrices of the candidates being reviewed by the national PSB. For instance, the national PSB may not know whether the applicant is a worker who deserves to be promoted or not, by merely looking at the evaluation matrices. This problem is compounded by the fact that regional directors usually recommend a very long list of promotable employees to the national office in violation of RMO 26-83, which mandates them to recommend only 20% of promotable employees.

It is recommended that RMO 26-83 be strictly enforced to require heads of offices (including regional offices) to submit a shorter list of the most qualified candidates. This is to ensure that those recommended by the regional offices are the most qualified to occupy the vacant positions. Enforcing the RMO may also facilitate PSB deliberations because it prevents the situation in which the national PSB chooses from a very long list of more than one hundred (100) promotable employees. In the medium to long term, the Bureau may also consider decentralizing the power to appoint personnel up to SG 19 to regional directors. If properly implemented, the Lateral Attrition Law should be able to provide powerful incentives to regional directors to appoint the most competent employees to vacant positions within their respective jurisdictions.

Another risk identified is the possibility of regional PSBs not convening meetings to deliberate on recruitment and promotion. It is likely that an influential member of the regional PSB may just let the other members sign the selection lineup form especially if he has a preferred candidate. Although there are control mechanisms in place such as Revenue Memorandum Order 25-2003 prescribing the policies and guidelines on the selection of candidates for promotion and RMO Nos. 7-2003 and 16-94 on the composition of the selection board, there is still a need to monitor if regional PSBs deliberate en banc.

The Bureau may consider random checking the compliance of the processes and decisions of concerned PSBs and HRMUs to RMO 25-2003, 7-2003, 16-94 and other CSC rules and guidelines.

#### **G. Other Issues**

One practice done in the regional offices is the filling up of a vacancy in a district office with the appointee not necessarily reporting in the office where the item belongs. Worse, the office where there is vacancy is not informed that its item has been filled up by another office. Demoralization usually results because a



promotable employee in an office can no longer get a promotion. There will also be a diminution of the staff complement, which will affect the overall performance of the office.

Another practice done in the regional offices is the transfer of employees from one district to another, and from one district to the regional office or National office, and vice-versa. More often than not, the transferee would not go back to his Mother Unit compromising its performance. This practice negatively affects the morale of the employees left behind. Promotion becomes slower because vacancies are almost impossible. Because of this slow promotion, affected employees may become vulnerable to corrupt practice.

Stricter policies on transfers must be adopted to answer this problem. RDAO 7-2003 dated August 1, 2003, entitled, "Delegation of Authority on Matters of Hiring Appointment, Transfer, Reassignment and Designation of Personnel" must be revisited especially on the balance of distribution of personnel.

There is an impression that the leadership of the Bureau sometimes has to give in to political demands. This results to the designation of some employees as Revenue District Officers, Assistant RDOs and other positions through the influence of top government officials rather than based on merit, thus, resulting to demoralization.

It is thus in the long-term interest of the Bureau to advocate and work for the passage of a legislation that will fix the terms of office of the Commissioner. A fixed term of the Commissioner will insulate the Bureau from political influence.



**CVA Vulnerability Analysis Matrix  
 RECRUITMENT AND PROMOTIONS**

<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
1. Publication of Notice of Vacancy	Delay in the publication of Notice of Vacancy	<b>LOW</b>	<b>HIGH</b>	None	Although following the CSC Publication requirements, random Audit of Compliance of the PD and HRMU with RA 7041 is suggested.
2. Receipt of Application from Applicants ( <i>Recruitment</i> )  Receipt of Evaluation Matrix ( <i>Promotion</i> )	Potential undue advantage of applicants with political recommendations	<b>LOW to MEDIUM</b>	<b>HIGH</b>	None	The Bureau should discourage political recommendations as part of the documents being submitted by applicants. Political recommendation should not be made part of the records of applicants. The Bureau may also consider coming up with a standard reply to officials who give recommendations stating that appointments are strictly based on merit.



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
3. Evaluation of Applicant's Personnel Data Sheet and Supporting Documents (Recruitment)	Falsification of Supporting Documents	<b>LOW</b>	<b>MEDIUM to HIGH</b>	Verification with the PRC, CSC, etc.	With adequate controls, it is still recommended to check authenticity of application documents before the line-up is submitted to the PSB for deliberations.
4. Administration of Examinations to Qualified Applicants	<p>Document Security/Leakage of Exams/ Outmoded Exams (National Office)</p> <p><i>Regional Office:</i> Specifically for RR13, the examinations for new entrants are being administered by an external provider. No MOA was executed between BIR-RR13 and the external provider. For RR19, the HRMU has prepared on its own a new set of questionnaires.</p> <p>Some regional offices may have inadequate capability to interpret the results of</p>	<b>MEDIUM to HIGH</b>	<b>LOW to MEDIUM</b>	Outmoded examination is being addressed already; the Bureau is now in the process of purchasing the latest assessment tool and this is also to be distributed to regions	<p><i>National Office:</i> An exclusive testing room must be provided for the conduct of examinations and interviews.</p> <p>A more secure place to keep the QREs is necessary. There must be a proper inventory of questionnaires (QREs) to determine or detect missing QREs at any point in time. Accountability of concerned personnel officer/s for securing the QREs must be explicitly established.</p> <p>In the medium-to long-term, an updated questionnaire may have to be purchased or developed internally.</p>



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
	psychological/ personality exams.				<p><i>Regional Office:</i> BIR-RR13 has to execute a MOA with the external provider to establish the latter's accountability in the proper administration of exams and releasing of exam results. Moreover, a representative of the HRMU should monitor and participate in exam administration on a regular basis. For RR19, it may consider contracting out test administration to reputable examination providers.</p> <p>The regional HRM Unit s may have to employ a psychometrican (or at least a psychology major) who can interpret the results of personality/psychology exams.</p> <p>Alternatively, the national office may deploy some of its</p>



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
					personnel officers to conduct screening exams in the regions at least twice a year.
5. Deliberations/ Selection of Candidate to Fill-up Vacancy	Information asymmetry between (a) the regional and field offices where there is vacancy and (b) the PSB at the national office.  Non-convening of regional PSB Meetings	<b>HIGH</b>  <b>LOW to MEDIUM</b>	<b>HIGH</b>  <b>HIGH</b>	RMO 26-83 requiring 20%  RMO 25-2003 RMO 7-2003 RMO 16-94 RMO 4-2005	Strictly enforce RMO 26-83.  In the medium-to long-term, the Bureau should consider the possibility of decentralizing the power to appoint personnel up to SG19 to the regions.  Monitor compliance to RMO 25-2003, 7-2003, 16-94 (especially on the requirement to convene PSB meetings). Regularly audit/monitor regional PSB processes and decisions.
6. Conduct of Interview to Applicants (who passed examinations)	No significant risks identified.	<b>NA</b>	<b>NA</b>	NA	NA



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
7. Preparation of line-up for recruitment/promotion with evaluation matrix	Omission of vital information of applicants.	<b>LOW</b>	<b>MEDIUM to HIGH</b>	The comparative matrices are being reviewed by: Section Chief, Assistant Division Chief,	Ensure that all supporting documents are attached to the comparative matrix to allow reviewers to detect inconsistencies/omissions easily.
				and Division Chief before submission to the PSB; issuance of RMO No. 25-2003 to address the issue of perceived favoritism/subjectivity in the promotion process	
8. Deliberations/ Selection of Candidate to Fill-up Vacancy	Information asymmetry between (a) the regional and field offices where there is vacancy and (b) the PSB at the national office.	<b>HIGH</b>	<b>HIGH</b>	RMO 26-83 requiring 20%	Strictly enforce RMO 26-83.  In the medium-to long-term, the Bureau should consider the possibility of decentralizing the power to appoint personnel up to SG19 to the regions.
	Non-convening of regional PSB Meetings	<b>LOW to MEDIUM</b>	<b>HIGH</b>	RMO 25-2003 RMO 7-2003 RMO 16-94 RMO 4-2005	Monitor compliance to RMO 25-2003, 7-2003, 16-94 (especially on the requirement to convene PSB meetings). Regularly



<b>ACTIVITY</b>	<b>CORRUPTION RISKS</b>	<b>LIKELIHOOD OF OCCURRENCE</b>	<b>SIGNIFICANCE OF IMPACT</b>	<b>CONTROL MECHANISM</b>	<b>AREAS FOR IMPROVEMENT</b>
					audit/monitor regional PSB processes and decisions.
9. Preparation of Appointment to be signed by the Commissioner / Regional Director	No significant risks identified.	NA	NA	NA	NA
<p>OTHER ISSUES</p> <p>Getting item from one office to another (w/o the knowledge of the office where the item is authorized)/ Transferring of personnel carrying the item into the recipient office without replacement.</p> <p>Political interference in designation of RDOs/ARDOs and in the enforcement of tax laws</p>					<p>There are issuances/ guidelines to be observed which is covered by RDAO Nos. 7-2003 &amp; 9-2003; endorsement by RD; and, "no objection" document from head of office and RD. It is suggested that the Bureau adopts stricter policies on transfers (in order not to deplete the workforce of the "sending" office).</p> <p>Advocate and work for the passage of a legislation fixing the term of the Commissioner of Internal Revenue.</p>

## SUMMARY OF RECOMMENDATIONS

The final section of the Report discusses the recommendations of the Assessment to boost the Bureau's efforts to fight corruption. The short-, medium-, and long- term recommendations as presented below could serve as a roadmap for the agency in this regard.

### **A. Based on the Integrity Development Assessment (IDA)**

#### **Empower Senior Leaders in Preventing Corruption**

It is imperative that the authority and responsibility of senior leaders to prevent corruption (as required by Chapter II of the BIR's Code of Conduct) be operationalized by capacitating them to discharge this critical function. The BIR must send most, if not all, their senior leaders (including those based at the regional and district offices) to anti-corruption training programs. It is also a good practice to randomly check the decisions of senior leaders to check for possible abuse of authority and/or conflict of interests.

#### **Analyze the SALN of Employees/Enhance the Reward System to Encourage Compliance with the Code of Conduct**

Disclosures of employees in the SALN must be regularly analyzed. The SALN contains relevant data, which may signify possible violations of the code of conduct. Hence, it is a sound practice to regularly review SALNs to check potential violations of codes of conduct. In addition, the Bureau needs to strengthen its reward system to encourage compliance with the code of conduct.

#### **Formulate an Unambiguous Gifts and Benefits Policy**

Although the Bureau already has its *Gifts and Benefits Policy*, there is a felt need to provide clearer guidelines on donations and offer of bribes. Gifts must be clearly defined in the policy. Some IDA participants in the regions do not consider institutional gifts (i.e., gifts given to the office and not to individual employees or officers) as gifts. A policy on gifts disposal may also be introduced to prescribe courses of actions in cases when returning the gift is impossible (e.g. the sender is anonymous, the gift is highly perishable).

The *Gifts and Benefits Policy* (including its enhancements) should be properly disseminated to all employees and communicated to all its clients and suppliers to ensure strict compliance. It is a sound practice to post the agency's *Gifts and Benefits Policy* in conspicuous places to forewarn clients and stakeholders of what is acceptable and what is not acceptable as far as gift giving is concerned. Finally, the Bureau should also consider having an official registry for received gifts, benefits and tokens. This will establish transparency in the acceptance of gifts and will make the employees feel that they do not owe gratitude to the givers, especially to those who have transactions with the Bureau (taxpayers, suppliers, etc.).

#### **Improve the Human Resource Management Process**

Random checks of the process and decisions of the national and regional Personnel Selection Board should be conducted. The Bureau must also come up with a post-employment policy for resigning/retiring personnel of the agency.

#### **Bolster the Performance Management System**

In order to have a more effective and efficient performance evaluation in relation to enhancing integrity and preventing corruption, the Bureau may consider strengthening the standards in rating the behavioral dimensions (Part II of RMO No. 29-2004) of performance which include: (a) human relations, (b) dependability, (c) work attitude, (d) stress tolerance, (e) punctuality and attendance, and (f) leadership.



## **Enhance Procurement Management**

To have a more efficient and transparent procurement system, the following are recommended:

- That all BAC members and other relevant personnel in all regions be trained on the R.A. No. 9184;
- That the written procedures prepared in the National Office be disseminated to all regions to improve consistency (e.g. whether to invite third party observers or not; inclusion of Code of Conduct in bidding documents; establishment of suppliers/contractors database);
- That a standardized system in blacklisting and how to share it to other government agencies be established;
- That the Internal Audit Division be given the authority to audit BAC decisions and other procurement decisions and outcomes to ascertain whether or not the results are consistent with established objectives;
- That the Internal Audit Division be given the authority to evaluate the quality of performance of BAC and Procurement Division in carrying out assigned responsibilities.

## **Improve Internal Audit Capability**

At present, the Internal Audit Division (IAD) prepares its work plan based on compliance and performance reports of concerned offices. However, it is preferable that the risk-based audit approach (RBAA) be utilized in prioritizing the conduct of its audits. It is therefore recommended that key internal audit personnel should undergo formal relevant RBAA training so that the latest audit methodology would be employed in the conduct of their audit. Said personnel will then echo what they have learned to the rest of the IAD staff.

## **Strengthen Whistleblowing, Internal Reporting and Investigation**

The Bureau should train relevant personnel in the handling and investigation of corruption. It must likewise inform or train employees on the procedures of reporting corruption

## **Institutionalize Corruption Risk Management**

There is a need to institutionalize *Corruption Risk Management* in the Bureau. The conduct of training on corruption risk management should be one of the next steps for the agency. After the conduct of the above-mentioned training, the next step would be to proactively assess corruption risk areas. This can be done through the annual conduct of a corruption risks assessment spearheaded by the IAD with the participation of all managers of the Bureau. The results of the assessment should be documented, made known not only to the leadership of the Bureau but to all managers and stakeholders, and should be the basis of the work program of all offices concerned for that specific year.

## **Maintain a Complete Record of Complaints and Feedback from Clients**

The Bureau needs to keep a full and complete record of complaints and feedback from clients and to analyze the same to identify possible incidence of corruption of its employees.

## **B. On the Process of Issuance of LAs**

### **Consultations in the Preparation of the Audit Program**

It is important to conduct consultation sessions with RDs and RDOs because they are in a better position to know who are the taxpayers who should be audited. RDs and RDOs should then be allowed to help set the criteria in the annual audit program and should also be given some degree of discretion with respect to the application of the said criteria.



### **Improving the Safekeeping Mechanisms of Tax Returns**

Since the personnel at the DPS have big responsibility with regards to the safekeeping of returns, and likewise they are the ones who select the returns for audit, they are naturally vulnerable to corruption. It is therefore suggested that safekeeping of the two (2) returns should be kept by two (2) distinct personnel in the DPS. These personnel should be made liable for any unjustified loss of returns or records in their custody.

In addition, it is suggested that the RDO or ARDO keep a masterlist of returns received and stored at the DPS. This is to provide a mechanism to counter-check and monitor the custody of returns. The masterlist will also be a means for the RDO to come up with a comparative analysis of taxpayers issued with LAs in the current year as compared to the previous year.

### **Audit on the Selection of Taxpayers for Issuance of LAs**

In order to check whether the LAs recommended by RDO are approved by the RD, Internal Auditors in the National Office should make the necessary audit and determine the justifications made by the RD in cases of non-approval of these LAs. This is to determine whether or not the RD made special treatments to taxpayers for non-inclusion in the audit.

### **Provide Taxpayers of Information on Their Bill of Rights**

In order to avoid incidence of corruption between the RO and the taxpayer, it is suggested that the Taxpayer's Bill of Rights be provided to the taxpayer upon service of the LA. It should be in printed form and should also contain information on who to contact in case of queries or complaints against the RO conducting the audit. These may include the contact information of the RDO, RD, the Internal Security Division or the Resident Ombudsman.

### **Present to Taxpayers Initial or Final Findings at the BIR Office**

It is suggested that, except for justifiable cases, presentations by ROs of their initial or final findings to the taxpayer should always be made at the BIR Office and not at the taxpayer's business office. In addition, stiffer penalties on violations related to the issuance of LAs (e.g. going beyond the 120 day period, prescribed cases) should be imposed. Command responsibility should also be applied.

### **Conduct Revalida of Case Dockets**

Internal Auditors should regularly conduct revalidation or "revalida" of audits, investigations or examinations conducted pursuant to LAs issued. Revalida is the process of reviewing tax dockets to verify compliance of ROs to examination rules and regulations. It also verifies the proper application of appropriate tax rules and regulations by the RO during his examination/investigation of the case/docket. It is also suggested that the revalida should include interviewing the taxpayer to determine whether ROs conducted themselves in accordance to rules and regulations.

### **Advocate for Simplex Tax Laws**

It may do well if the Bureau will initiate review of the tax laws, rules, and regulations that cause confusions as to their interpretations. Representation to the Legislative Body to make simpler laws would be highly beneficial

### **Make Preliminary Assessment Notices (PANs) and Final Assessment Notices (FANs) as Accountable Forms**



It is recommended that PANs and FANs be considered accountable forms like LAs. Accountable forms are pre-numbered forms whose control and accountability are strictly monitored. Making PANs and FANs accountable forms would not only establish their control and accountability but will also allow more effective monitoring. This is important because there could be instances when PANs or FANs may just be lost without a trace or may be issued to the same taxpayer more than once resulting to double assessment.

### **Improve Taxpayer and Taxfiler Database**

In support of the BIR's strategic objective of improving the Taxpayer and Taxfiler Database, a record containing complete information on all taxpayers and taxfilers nationwide should be maintained. Regular updates should be made by Revenue District Offices, Large Taxpayers Service (LTS), and National Investigation Division (NID) regarding their respective taxpayers. The record should include important details like the main business address, summary of tax payments made, address of branches (if any), Revenue District Office, etc. This information could help the BIR in preparing data presently required by Committee on Ways and Means of both the House of Representatives and the Senate.

### **Maintain an Annual List of Taxpayers Issued with Letters of Authority (LAs)**

An Annual List of Taxpayers selected for issuance of LA should be maintained. This would be a tool in making comparative reports with regards to taxpayers issued with LAs in the current year as compared to the previous year. This would also help the BIR in profiling certain taxpayers and determining their historical data as regards to their tax payments, and would give a projection on their future payments.

### **Improve/Expand the Letter of Authority Monitoring System (LAMS)**

Although the LAMS is designed to help management in automatically tracking the status of LAs issued, there are still certain areas for improvement, i.e. the access time or link-up time of the system at some Revenue District Offices is still not that efficient making encoding of the status very slow; the "status" column should include specific whereabouts of the case, not general statements like "open", "closed", "for investigation," etc.

It is also recommended that audits, investigations or examinations conducted pursuant to TVNs or LNs should also be incorporated in the LAMS in order to come up with a single monitoring system for all audits, investigations, or examinations being conducted by the Bureau.

### **Expand Personnel Complement of Investigation Offices**

In order that the Bureau could maximize its investigation powers, it is highly recommended that the personnel complement in each of the investigating offices be commensurate to the number of its potential taxpayers.

## **C. On One-Time Transactions (ONETT)**

### **Improve ONETT Control Mechanisms**

The control mechanisms (e.g. publication of tax rates and zonal valuation, review and approval of CDR and OCS by Head of ONETT Team) installed by the agency can be reinforced by: (a) selecting a group supervisor from among the ONETT Team members to perform review function (1<sup>st</sup> level) before submitting the documents to the ONETT Head for final review and approval; (b) providing information to TP on how to compute for Capital Gains Tax; and, (c) computing tax only if documents are complete and notarized and giving sanctions for erroneous tax computation.

### **Prescribe Sampling Criteria for Review of Capital Gains Tax Dockets**



The assessment team recommends that there should be a prescribed way of doing the sampling and assigning of dockets to Assessment Division personnel, the heads should reinforce implementation of the review and non-compliance must be sanctioned. Moreover, the Internal Audit Division should strengthen the monitoring of the review of ONETT cases.

#### **Include a Group Supervisor in the ONETT Team**

The assessment team reiterates the need for a group supervisor of ONETT Team to perform a *detailed review* of related activities as a compensating control mechanism. The assessment team also recommends that the size, type and location of real property that requires mandatory inspection be specified in the policy, provide enough logistics for conducting mandatory ocular inspection and to have a formal arrangement with the Local Government Units (LGU) for greater reliability on released certifications, e.g. furnishing the BIR with the database of real property improvements.

#### **Strictly Implement ONETT Team Rotation**

It is recommended that the policy indicated in RMO No. 15-2003 be implemented consistently to preclude the assignment of Revenue Officers as ONETT Team members for successive months.

#### **Share CVA Findings to the Taskforce created under EO525**

It is suggested that the CVA observations be shared with the Taskforce created under EO 525 dated April 10, 2006, that is attached to PAGC, empowered to investigate irregularities committed in relation to the payment of taxes in the Transfer of Title of Real Properties.

### **D. On Human Resource Management**

#### **Conduct Compliance Audit on Selected HR processes**

Subjecting the simple task of publishing Notice of Vacancies to random audits [to check their compliance to RA 7041 and other CSC guidelines] can considerably increase the accountability of concerned officers and employees. The Bureau may consider random checking the compliance of the processes (e.g. conduct of PSB Meetings) and decisions of concerned PSBs and HRMUs to RMO 25-2003, 7-2003, 16-94 and other CSC rules and guidelines.

#### **Discourage Political Recommendations**

The Bureau may adopt the practice embodied in RMO 22-89 by discouraging new applicants from soliciting recommendations. Recommendations should not be made part of the records of applicants. The Bureau may also consider coming up with a standard reply [to officials who give recommendations] stating that appointments are strictly based on merit.

#### **Provide Exclusive Testing Rooms in the National Office**

The Bureau may consider providing an exclusive room for test administration and safekeeping of all vital documents relative to recruitment and promotions. This room must be provided with cabinets with safes. There must be a proper inventory of questionnaires to determine or detect missing questionnaires at any given time. The accountability of the concerned personnel officers must be explicitly established through an office order. Lastly, it is best to remove the photocopier from the testing room to maintain its exclusivity.

#### **Update Test Questionnaires**



The Bureau may consider purchasing an updated set of questionnaires or develop it internally. In either case, adequate funding has to be provided. It is also recommended that new type of examinations (e.g. Risk Profiling Exam) which may establish the tendency of prospective employees to become corrupt be purchased and administered to all new applicants of the Bureau.

#### **Execute MOA with External Examination Providers**

It is suggested that RR13 execute a Memorandum of Agreement (MOA) with its examination providers to establish their accountability on the proper administration of examinations and releasing of test results. The regional office may also consider sending a representative from the HRMU to regularly observe and participate in the conduct of examinations.

#### **Provide an Item of a Psychometrician (or at least a psychology graduate) in Regional HRMUs**

In order for regional HRMUs to properly interpret the results of examinations especially on the behavioral and psychological part or aspect, the Bureau may consider providing an item for the position of a psychometrician in regional offices.

#### **Attach Supporting Documents to Evaluation Matrices of Candidates**

To minimize the omission of vital information of applicants, all supporting documents of each of the applicants should be attached to the comparative matrices to allow reviewers to detect inconsistencies/omissions easily.

#### **Strictly Enforce RMO 26-83 to Require a Shorter List of Promotable Employees**

It is recommended that RMO 26-83 be strictly enforced to require heads of offices (including regional offices) to submit a shorter list of the most qualified candidates. This is to ensure that those recommended by the regional offices are the most qualified to occupy the vacant positions. Enforcing the RMO may also facilitate PSB deliberations because it prevents the situation in which the national PSB chooses from a very long list of more than one hundred (100) promotable employees.

#### **Decentralize Power to Appoint Employees with Salary Grades up to SG 19 to Regional Offices**

In the medium to long term, the Bureau may also consider decentralizing the power to appoint personnel up to SG 19 to regional directors. If properly implemented, the Lateral Attrition Law should be able to provide powerful incentives to regional directors to appoint the most competent employees to vacant positions within their respective jurisdictions.

#### **Address the Problem of "Borrowed Items"**

Stricter policies on transfers must be adopted to answer the problem on taking items from one office to another. RDAO 7-2003 dated August 1, 2003, entitled, "Delegation of Authority on Matters of Hiring Appointment, Transfer, Reassignment and Designation of Personnel" must be revisited especially on the balance of distribution of personnel.

#### **Fix the Term of the Commissioner of Internal Revenue**

It is in the long-term interest of the Bureau to advocate and work for the passage of a legislation that will fix the terms of office of the Commissioner. A fixed term of the Commissioner will insulate the Bureau from political influence.



### Recommendations Table per Type

The table below summarizes the recommendations of the Assessment Team. The recommendations are classified according to type and time frame. The typology of recommendations includes: (1) systems improvement/strengthening of controls; (2) establishment of new internal policies, systems, and structures; (3) capacity building/organizational strengthening; and (4) policy advocacy and external linking. For the time frame, short-term is one week to one year, medium term is 13 months to three years, and long-term is more than three years.

TYPE	SPECIFIC RECOMMENDATIONS	TIMEFRAME
<b>1. Systems Improvement/ Strengthening of Controls</b>	Enhance Rewards System on Employee Compliance with the Code of Conduct	ST
	Bolster the Performance Management System	ST
	Enhance the Procurement Management System	ST
	Maintain a Complete Record of Complaints of External Clients for Analysis	ST
	Improve Safekeeping Mechanisms of Tax Returns	ST
	Inform Taxpayers on their Bill of Rights	ST
	Conduct Regular Revalida of Case Dockets	ST
	Improve the Taxpayer and Taxfiler Database	LT
	Improve the Letter of Authority Monitoring System (LAMS)	MT
	Include Group Supervisor in the ONETT Team	ST
	Strictly Implement ONETT Team Rotation	ST
	Perform Compliance Audit on Selected HR Processes	ST
	Update Test Questionnaires/ Purchase Risk Profiling Examinations	MT
	Provide Exclusive Testing Rooms in the National Office	ST
	Execute Memorandum of Agreement with Test Exam Providers (Revenue Region 13)	ST
	Provide Item for the Position of a Psychometrician in Regional HRMUs	MT
Strictly Enforce RMO 26-83 to Require a Shorter List of Promotable Employees	ST	
<b>2. Establishment of New Internal Policies, Systems, Structures</b>	Update Code of Conduct	ST
	Formulate an Unambiguous Gifts and Benefits Policy	ST
	Institutionalize Corruption Risk Management	MT
	Allow RDs and RDOs to Help Set Criteria in the Annual Audit Program	ST
	Limit the Presentation of Final Findings on Taxpayers at the BIR Office (not at the Taxpayer's Business Office)	ST
	Provide Stiffer Penalties on Violations Related to the Issuance of Letters of Authority	ST
	Make the Preliminary Assessment Notice (PAN) and Final Assessment Notice (FAN) Accountable Forms	MT
	Prescribe Sampling Criteria for the Review of Capital Gains Tax Dockets	ST
	Discourage Political Recommendations in Applications	ST
	Decentralize Power to Appoint Region and District Employees up to Salary Grade 19 to Regional Offices.	MT
	Address Problem of "Borrowed Items"	MT



TYPE	SPECIFIC RECOMMENDATIONS	TIMEFRAME
<b>3. Capacity Building/ Organizational Strengthening</b>	Train Senior Leaders on Corruption Prevention	ST
	Improve Internal Audit Capability	LT
	Train Relevant Personnel on Handling and Investigating Corruption Cases/ Train Employees on Reporting Corruption	ST
	Expand Personnel Complement of Investigation Offices to Make it Commensurate to the Number of Their Potential Taxpayers	ST
<b>4. Policy Advocacy and External Linkaging</b>	Fix term of the Commissioner of Internal Revenue	LT
	Exempt the Bureau from the Salary Standardization Law	MT
	Advocate for Simpler Tax Laws	MT
	Share Findings of the CVA to the Taskforce Created by Executive Order No. 525, which is	ST

Of the above recommendations, the IDR Assessment Team believes that the following may have the highest impact on the effort to minimize corruption in the Bureau, and as such the Management is encouraged to consider these among its priorities:

1. Strengthen Implementation of Code of Conduct and Related Policies;
2. Empower Officials and Employees in Preventing Corruption Through Trainings;
3. Improve Internal Audit Capability;
4. Discourage Political Recommendations and Interference in Appointments;
5. Compliance Audit on the Selection of Taxpayers for Issuance of LAs and the Conduct of Revalida of Tax Case Dockets;
6. Improve Control Mechanisms on ONETT Procedures;
7. Increase Salaries of Employees through Exemption from the Salary Standardization Law; and
8. Advocate for the Passage of a Legislation Fixing the Term of the Commissioner of Internal Revenue.



## CONCLUSION

The Bureau has established policies to guide the proper conduct and behavior of its “agents” and has installed systems to safeguard its operations. What is important at this stage is full deployment and “internalization” of these systems and policies.

Management needs to maintain strong leadership of the integrity building efforts of the Bureau. It will benefit if there were more champions and advocates of the anti-corruption programs.

The Bureau has demonstrated that it can break out of institutional barriers to fight corruption e.g. through the RATE, Lifestyle Checks, etc. It can generate more support and eventually remove the stigma of negative public perception by communicating and encouraging the public to support its other anti-corruption programs.

Its employees are generally concerned and willing to participate in the agency’s integrity development efforts. They can benefit from a clearer policy on acceptance of gifts. They can supplement monitoring and reporting of corruption given a good system of protecting whistleblowers and assurance of management’s resolve to weed out corruption through fair and expedient investigation.

The biggest challenge for the Bureau is on how to step up its existing systems to make them more robust and resistant to corruption. Existing systems must be continuously reviewed for their effectiveness in enhancing transparency, accountability and integrity.

Lastly, it can collaborate and call on the support of other institutions (like OMB, COA, CSC, PAGC, DOJ, CSOs) to strengthen the Bureau’s integrity development efforts.