



**FINANCIAL AND COMPLIANCE AUDIT PERFORMANCE OF COMMISSION ON
AUDIT AND GOOD GOVERNANCE OF LOCAL WATER DISTRICTS IN
CALABARZON: BASIS FOR ACTION PLAN**

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ABSTRACT

Local Water Districts (LWDs) are government-owned and controlled corporations (GOCCs) that are regularly subjected to the Financial and Compliance Audit of the Commission on Audit (COA), the Supreme Audit Institution of the Philippines. The conduct of audit was equally important as the portrayal of good governance, hence, an effective audit was said to relatively strengthen good governance. In view thereof, this study aimed to determine the significant relationship and significant impact of the financial and compliance audit performance of COA in the good governance manifestation of LWDs. This study used a descriptive correlational design. The respondents of the study were auditors assigned to COA Region IV-A Water Districts and Other CGS Stand-Alone Agencies and top management of LWDs in the CALABARZON Region. A structured survey questionnaire was used to obtain the data needed which was analyzed and interpreted through the mean and four-point Likert Scale, Pearson product-moment correlation, and regression analysis. The results of the study showed a significant relationship between the level of performance of the COA in conducting financial and compliance audits and the manifestation of good governance. It was also observed that the quality of audit and professional ethics in an audit engagement significantly impacts good governance in terms of transparency while only professional ethics significantly impacted accountability. Therefore, to further enhance the audit performance for the benefit of the auditees', an action plan was proposed. In this way, COA could continuously assist the auditees in fostering good governance in their respective organizations.

Keywords: government, financial and compliance audit, good governance, transparency, and accountability

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INTRODUCTION

In the government sector, the conduct of audits is considered imperative in the attainment and improvement of good governance. The primary objective of a government audit is the determination of the compliance of government agencies to relevant laws, rules, and regulations and the proper utilization of public funds. Likewise, it tends to give an independent view with regards to the fairness of the presentation of the financial statements and results of operations of a government entity. Through the results of the audit, an agency can have the opportunity to improve the financial and operational aspects with noted deficiencies which is also a chance to enhance good governance.

Countries all over the world have their own respective Supreme Audit Institution (SAI) that is responsible for the performance of government audits. Mostly, these institutions were established through a country's constitution. According to the Organization for Economic Co-operation and Development (2016), it would be the responsibility of SAIs to oversee and hold every government accountable for the use of its public resources while upholding independence and professionalism. The Government Auditing Standards prepared by the Comptroller General of the United States asserted that it would be the responsibility of the auditor's office to guarantee that the audit was executed by skilled personnel while exercising the required independence to ensure that public officials would be held accountable for the use of government resources.

Sondh (2017) shared insights in regard to the public sector (government) auditing of the Southeast Asian Governments. He stated that to achieve good public governance, a government audit is necessary. Thus, the member states of the Association of Southeast Asian Nations (ASEAN) must undertake measures to further strengthen the structure and professional practices relative to governance.

In the Philippines, the 1987 Constitution established the country's Supreme Audit Institution (SAI): the Commission on Audit (COA) stated that the COA is an independent constitutional commission that is tasked to be the sole external auditor of every government agency as well as Government-Owned and Controlled Corporation (GOCC) of the country. The Commission must ensure heightened accountability in the performance of government functions of the officials, employees, and the agency as a whole, to protect and improve good governance for the benefit of the general public. Among the audit services rendered by COA is the Financial

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and Compliance Audit which the primary objective is to express an opinion on the fairness with which the financial condition and results of operations are presented.

Local Water Districts (LWD) are GOCCs in the Philippines established under Presidential Decree No. 198 also known as the Provincial Water Utilities Act of 198 to ensure that a sufficient supply of potable water is available for the daily consumption of its concessionaires. It is an income-generating entity and does not receive any budgetary allotment from the national government. As part of the Government Sector, every LWD is audited by COA because being a self-supporting agency does not mean that the money being collected by the LWD can be spent impetuously. Relevant laws, rules, and regulations are still needed to be considered in every decision-making process to sustain good governance. In relation to this, Melouney (2017) mentioned that good governance is important especially to the government sector because they are dealing with public funds, thus exercising it is a way to gain public trust to fulfill the mandates of public service.

Currently, the LWDs nationwide have been facing a lot of controversies that affects their good governance reputations. Since the auditors from COA were tasked to be 'enabling partners' that should partake in the improvement of good governance, they usually recommend preventive and corrective courses of action that would alleviate such situations. Depending on various circumstances, these recommendations may or may not be implemented by management as these are discretionary. This may be because they are not satisfied with the quality of audit they are receiving; the audit recommendations are not suitable or the auditors assigned to them may have problems with professional ethics. If deficiencies were not connected to the audit per se, it may be because Management is not willing to cooperate with the audit team.

The conduct of an audit is equally important as the portrayal of good governance, hence effective audit relatively strengthens governance. Based on the foregoing circumstances, debunking whether the Financial and Compliance Audit being undertaken by the COA has an impact on the good governance improvement of the LWD is of great essence for both parties to further improve their public service functions. As one of the auditors assigned to the LWDs, the researcher would like to find out predominantly whether the audit is beneficial for the Management of the LWDs. By better understanding the relationship between the level of performance of the Financial and Compliance Audit by the COA and the level of manifestation of LWDs' good governance, one can gauge the helpfulness and efficacy of the conduct of audit in the improvement of good governance of the LWDs.

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MATERIALS AND METHODS

This study employed a descriptive-correlational research design that aimed to interpret the relationship between the two identified variables, the financial and compliance audit and good governance. Descriptive-correlational research used two or more sets of data to examine the existence and strength of their relationship. Creswell (2019) discussed both descriptive and correlational research. Descriptive research determined and reported the way things were. On the other hand, correlational research attempts to determine whether and to what degree a relationship existed between two or more quantitative variables.

This study was conducted at selected Local Water Districts in the CALABARZON Region and the COA Auditors assigned thereto. The respondents of the study were the General Manager, the Assistant General Manager if applicable, and the Department or Division Manager whoever is next in line with the two mentioned positions under categories A and B being those that were directly questioned during the audit and the auditors of the Audit Teams assigned to Water Districts and Other CGS Stand Alone Agencies Audit Group for the Commission on Audit counterpart. A total of 80 respondents were involved in the data gathering procedure which was carefully selected through a formed stratum.

The research instrument used in this study is a survey questionnaire. The researcher formulated one survey form for the respondents that employed the use of a Likert Scale to measure the opinions of the respondents towards the questions asked.

The questionnaire prepared for both the Commission on Audit and the Local Water Districts included three (3) parts. The first part aimed to collect general information about the respondent. The second part included statements that aim to acquire their assessment of the performance of the Financial and Compliance Audit which were patterned in the Commission on Audit's Procedures and Instructions Manual. The third part included statements that aimed to acquire the assessment of the level of manifestation of good governance of the Local Water Districts which were based on Presidential Decree No. 1445, also known as the State Audit Code of the Philippines.

The information collected from the survey was tallied and given the appropriate statistical treatment. To achieve the main thrust of the study, the following statistical tools were utilized:

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the mean and four-point Likert Scale was used to identify the perceived level of performance of the Commission on Audit and the level of manifestation of the Local Water Districts' good governance. And then, the standard deviation was used to determine the scatteredness of the scores between the responses of the two groups; the Pearson product-moment correlation was utilized to determine the relationship between the financial and compliance audit performance of the auditors and the manifestation of good governance of the Local Water Districts; and the multiple regression analysis was employed to measure the impact of the level of performance of the Financial and Compliance Audit undertaken by the Commission on Audit on the level of manifestation of the Local Water Districts' good governance.

RESULTS AND DISCUSSION

Discussion per problem and per table/thematic chart followed by discussion, interpretation/reflection, and supporting literature.

Table 1.1

Level of Performance on Financial and Compliance Audit Undertaken by the Commission on Audit in terms of Quality of Audit

Indicators	COA		LWD		Composite	
	X	VI	X	VI	X	VI
1. The methods used during the audit fits the agency's processes, risks and operations.	3.25	VG	3.52	E	3.39	VG
2. The AOMs are written clearly and straightforward using sufficient and appropriate audit evidences.	3.40	VG	3.62	E	3.51	VG
3. All financial and compliance areas are pursued and covered in the audit.	3.05	G	3.08	G	3.07	G
4. The audit process is completed efficiently.	3.05	G	3.23	G	3.14	G
5. Management is satisfied with the quality of audit received.	3.20	G	3.38	E	3.29	E
General Assessment	3.19	G	3.37	VG	3.28	VG

Legend: 3.25 – 4.00 Very Good (VG) 2.50 – 3.24 Good (G)
1.76 – 2.49 Fair (F) 1.00 – 1.75 Poor (P)

Table 1.1 shows the level of performance on Financial and Compliance Audit undertaken by the Commission on Audit in terms of Quality of Audit. The general composite assessment was **3.28** which was interpreted as **Very Good**. "The AOMs were written clearly and straightforward

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using sufficient and appropriate evidence” had the highest mean which was **3.51** and was interpreted as **Very Good**. “All financial and compliance areas were pursued and covered in the audit” had the least mean which was **3.07** and was interpreted as **Good**.

It implies that the AOMs written by the auditors and received by the LWDs were of very good quality, hence can be easily comprehended by the reader or user of information since they were clearly written and duly supported with sufficient and appropriate audit evidences. A proficient written communication skill is of high importance when it comes to interpreting and conveying the results of an audit to the auditee. Most of the time, the AOMs written by the audit teams undergo thorough reviews by their supervisor before the same could be released to Management. The auditors make sure that the noted deficiencies incorporated in the AOMs always has reasonable basis and displays the actual circumstances of the agency being audited. Likewise, information therein is always discussed and clarified with Management beforehand to avoid any misrepresentations. Therefore, the indicator reflected a high mean for both the COA and LWD respondents.

According to Modlin (2017), audits could provide additional information as to whether a government unit has indeed complied with public laws and statutes. Problems encountered during the conduct of an audit can be about financial or compliance aspects. An audit of the financial aspect has the intention to express an opinion regarding the fairness of information presented in the financial statements as told by Pamungkas (2018) while the audit of the compliance aspect is a way to monitor every government agency’s conformity with the applicable law, rules, regulations, and use of funds as Nation (2019) provides.

Masood and Lodhi (2015) stated that a government audit was of high importance since this made every government entity accountable for the utilization of public funds for the welfare of the general public, therefore to have an effective audit is an outcome of the collective efforts of government auditors. Moreover, De Widt et al. (2020) provided that the auditors had the responsibility to add value to their auditees and to provide reliable information to external stakeholders which, in the case of the government agencies is the general public. The audit of the auditors needs to be credible and useful on the part of auditees, hence the need for excellent report writing skills. Written communication skill is needed particularly in the proper documentation of the findings and observations as well as the generation of a complete and well-written audit report. da Silva and Imoniana (2021) mentioned that a well-written report that is

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timely communicated with Management reinforces trust as the auditee can immediately provide remedies to identified deficiencies during the audit. In that case, it was concluded that communication of audit results revolves around good report writing.

On the other hand, the complete financial and compliance audit coverage earned the lowest mean. This implies that the audit team could not cover all the areas under financial and compliance categories during the duration of the audit. Accordingly, the auditors evaluate various audit thrusts according to the materiality of misstatement and irregularities. Due to the number of areas to be evaluated, it is imperative that the audit team cover financial and compliance areas that have a higher level of risk of material misstatement and significant incompliance since this would need immediate attention and action from Management.

Kumor and Mackowiak (2018) noted that the materiality principle helped in the fulfillment of the objectives of the conduct of the audit. If the information was found to be immaterial, such was already not useful to the user of information and could therefore be excluded during the audit. It was likewise necessary to determine the correct materiality level to be used in the performance of the audit to differentiate significantly from insignificant irregularities. In the study conducted by Zuca (2015), it was provided therein that as the risk of material misstatements increases for a particular account, be it about balances, classification, or disclosure, the more audit pieces of evidence should be gathered. Additionally, when an auditor obtains supplementary pieces of evidence relative to an account from different sources, additional audit procedures were required to be performed to provide more assurance that all the information gathered concurred with each other. This denotes that more time will be consumed for those accounts with a higher risk of misstatement and irregularities and lesser time for those with lower risk.

Table 1.2

Level of Performance on Financial and Compliance Audit Undertaken by the Commission on Audit in terms of Audit Recommendations

Indicators	COA		LWD		Composite	
	X	VI	X	VI	X	VI
The audit recommendations are..						
1. workable and attainable.	3.25	VG	3.30	VG	3.28	VG
2. relevant and appropriate.	3.25	VG	3.34	VG	3.30	VG
3. crafted clearly and straightforward based on the needs of Management.	3.70	VG	3.51	VG	3.61	VG

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Indicators	COA		LWD		Composite	
	X	VI	X	VI	X	VI
The audit recommendations are..						
4. constructed in accordance with what is required by laws, rules and regulations.	3.65	VG	3.54	VG	3.60	VG
5. important in the realization of the full benefits of an audit.	3.55	VG	3.48	VG	3.52	VG
6. adds value to the agency when fully implemented.	3.55	VG	3.43	VG	3.49	VG
7. not conclusive, hence gives Management other options to be considered.	3.50	VG	3.21	G	3.36	VG
8. useful in improving financial reporting.	3.55	VG	3.48	VG	3.52	VG
9. helpful in the improvement of the overall operations of the agency.	3.35	VG	3.51	VG	3.43	VG
10. often accepted and duly considered by Management without any disagreement.	3.05	G	3.21	G	3.13	G
General Assessment	3.44	VG	3.40	VG	3.42	VG

Legend: 3.25 – 4.00 Very Good (VG) 2.50 – 3.24 Good (G) 1.76 – 2.49 Fair (F) 1.00 – 1.75 Poor (P)

Table 1.2 shows the level of performance on Financial and Compliance Audit undertaken by the Commission on Audit in terms of Audit Recommendations. The general composite assessment was **3.42** which was interpreted as **Very Good**. "The audit recommendations are crafted clearly and straightforwardly based on the needs of Management" attained the highest mean which was **3.61** and was interpreted as **Very Good**. "The audit recommendations were often accepted and duly considered by Management without any disagreement" gained the least mean which was **3.13** and was interpreted as **Good**.

Raudla et al. (2015) inferred that the perceived usefulness of the audit depends on internal and external factors. The internal factors refer to the perception of the auditees with regards to the auditors, the characteristics of the audit process, and the quality of the audit reports, whereas the main external factor refers to the received attention of the published audit reports. Audit reports contained audit recommendations which is the last part of an AOM and the aforementioned results implied that when an AOM is written clearly, the recommendations are also crafted in a manner that best fits the needs of the agency. The result signifies that the audit recommendations being crafted by the auditors are of very good quality and satisfactory in addressing the needs of the agency. It was mentioned by Pratama (2019) that auditors usually provided conclusions and recommendations that would improve an auditee's operation. The audit recommendation to be effective was required to be more technical rather than general and should target any points of deficiencies. Relative thereto, Dain and Rahmat (2017) provided that this narrowed the gap between the actual practice of the auditees and the requirement of existing

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standards which could generally improve the effectiveness, efficiency, and economy of the agency.

Moreover, the result also implies that Management does not always accept the audit recommendations. Dain and Rahmat (2017) also asserted that the auditees would have the discretion to implement or not implement the recommendations depending on their positive perception. They concluded that when the positive perception of the auditees in the impact of the recommendation increases, the likelihood that such will be fully implemented also increases. Further, Ziniyel and Abubakari (2021) explained some constraints may impede the efforts of Management to implement audit recommendations. For instance, complex issues can be one of those constraints. Oftentimes, complicated matters would require the establishment of particular in-house policies that was compatible with the audit recommendation before the latter could be fully implemented. Another factor that would hinder management from carrying out the audit recommendations was the aggressive monitoring and follow-up of the auditors on the status of implementation of the recommendations. This allowed the auditor to see which audit recommendations were still to be implemented, prompting management to take quick action or revisit the recommendations, if necessary. Too much assertiveness from the auditors could be inconvenient and troublesome on the part of management, hence could obstruct the smooth implementation of the audit recommendations.

Table 1.3

Level of Performance on Financial and Compliance Audit Undertaken by the Commission on Audit in terms of Professional Ethics

Indicators	COA		LWD		Composite	
	X	VI	X	VI	X	VI
The audit team..						
1. works objectively and without bias.	3.55	VG	3.64	VG	3.60	VG
2. gives factual findings based on the audit conducted.	3.50	VG	3.69	VG	3.60	VG
3. manifests willingness in helping the agency in areas of deficiency.	3.45	VG	3.66	VG	3.56	VG
4. communicates effectively with Management.	3.40	VG	3.62	VG	3.51	VG
5. treats every individual concerned in the audit with respect.	3.55	VG	3.72	VG	3.64	VG
6. responds to Management queries.	3.30	VG	3.48	VG	3.39	VG
7. extends professional help even after the scheduled audit engagement.	3.45	VG	3.52	VG	3.49	VG
8. manifests being reasonable and considerate in their audit findings, ethical in their actions and easy to work with.	3.50	VG	3.56	VG	3.53	VG
9. admits their mistake in the event that they have rendered a wrong and inaccurate conclusion.	3.40	VG	3.49	VG	3.45	VG

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Indicators	COA		LWD		Composite	
	X	VI	X	VI	X	VI
The audit team..						
10. observes professionalism all throughout and even after the audit engagement.	3.60	VG	3.75	VG	3.68	VG
General Assessment	3.47	VG	3.61	VG	3.54	VG

Legend: 3.25 – 4.00 Very Good (VG) 2.50 – 3.24 Good (G)
1.76 – 2.49 Fair (F) 1.00 – 1.75 Poor (P)

Table 1.3 shows the level of performance on the Financial and Compliance Audit undertaken by the Commission on Audit in terms of Professional Ethics. The general composite assessment was **3.54** which was interpreted as **Very Good**. "The audit team observes professionalism throughout and even after the audit engagement" had the highest mean which was **3.68** and was interpreted as **Very Good**. "The audit team responds to Management queries" had the least mean which was **3.39** and was interpreted as **Very Good**.

The above result implies that the audit teams observe professionalism all the time, whether during or after the audit period. Though the indicator that the audit responds to Management queries received the lowest mean, it still landed as excellent which denotes that the auditors often entertain and answer their auditees' questions. Both of these are part of the portrayal of professional ethics. Professionalism is often reflected in an individual's attitudes and behavior. Congruently, Barrainkua and Pike (2017) inferred that aside from the skills set and knowledge, values are also important. Whence, the attitudes portrayed by the auditor during work relationship with the individual's behavior.

Congruently, Mardijuwono and Subianto (2018) concluded in their study that when conducting an audit, it was critical for an auditor to keep in mind that a high level of auditor professionalism is required. A high level of professionalism portrayed by a public accountant is closely interrelated to the type of audit opinion that will be issued after the audit. Henceforth, it is said that a higher the level of professionalism equates to a better quality of audit.

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Table 2.1

Level of Manifestation of the Local Water Districts' Good Governance in terms of the Principle of Transparency

Indicators	COA		LWD		Composite	
	X	VI	X	VI	X	VI
The Management..						
1. holds a Philippine Transparency Seal.	3.50	HM	3.85	HM	3.68	HM
2. do not restrict the auditors from performing regular audit.	3.55	HM	3.82	HM	3.69	HM
3. turnovers all financial and non-financial documents to the auditors during the audit.	3.25	HM	3.66	HM	3.46	HM
4. completes financial and non-financial disclosures in the Notes to Financial Statements.	3.10	M	3.51	HM	3.31	HM
5. immediately and willingly submits documents that may not form part of those included in number 3, upon the request of the auditors.	3.05	M	3.62	HM	3.34	HM
6. answers audit queries clearly.	3.10	M	3.74	HM	3.42	HM
7. shows earnest cooperation during the audit.	3.20	M	3.77	HM	3.49	HM
8. shares important and critical information to the auditors voluntarily and whenever necessary.	2.95	M	3.67	HM	3.31	HM
9. provides precise comments and action plans relative to the issued Audit Observation Memorandum.	2.75	M	3.62	HM	3.19	M
10. openly communicates to the auditors anything of their concern even after the audit.	3.15	M	3.77	HM	3.46	HM
General Assessment	3.16	M	3.70	HM	3.43	HM

Legend: 3.25 – 4.00 Highly Manifested (HM) 2.50 – 3.24 Manifested (M)
 1.76 – 2.49 Slightly Manifested (SM) 1.00 – 1.75 Not Manifested (NM)

Table 2.1 shows the level of manifestation of the Local Water Districts' good governance in terms of the principle of Transparency. The general composite assessment was **3.43** which was interpreted as **Highly Manifested**. "The Management do not restrict the auditors from performing regular audit" obtained the highest mean which was **3.69** and was interpreted as **Highly Manifested**. "The Management team provides precise comments and action plans relative to the issued Audit Observation Memorandum" attained the lowest mean which was **3.19** and was interpreted as **Manifested**.

The above results implied that Management of the LWD always allow the auditors to perform their functions during the scheduled audit engagement. Aside from the conduct of audit by COA being mandated under the 1987 Philippine Constitution, it is also important that the auditee will not forbid the COA teams in the performance of their duties for the audit to be effective. This simply signifies the openness and willingness of the agency to be subjected to audit. On the other hand, the Management provides precise comments and action plans relative

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to the issued Audit Observation Memorandum received the lowest mean. However, it still implies that Management gives comments and action plans to the satisfaction of the audit team.

Such results indicates that Management of the LWDs manifests transparency. Jashari and Pepaj (2018) inferred that the principle of transparency is a basic principle in government administration that denotes being open, communicative and responsive, hence the need for all the information relative to the activities of any government office be held public. In a similar manner, Cruz et al. (2016) highlighted in their study that the role of transparency is to provide the general public information. Transparency also encompasses the reporting of the government sector on the 'why, how, what and how much' does every government activity entails.

Table 2.2

Level of Manifestation of the Local Water Districts' Good Governance in terms of the Principle of Accountability

Indicators	COA		LWD		Composite	
	X	VI	X	VI	X	VI
The Management..						
1. proactively solves deficiencies noted during the audit.	2.95	M	3.66	HM	3.31	HM
2. makes rational financial decisions.	3.05	M	3.72	HM	3.39	HM
3. acknowledges their shortfalls.	3.20	M	3.70	HM	3.45	HM
4. remains ethical in their actions.	3.35	HM	3.80	HM	3.58	HM
5. knows how to prioritize more important things (e.g. meets the deadline of submission for required reports)	3.25	HM	3.75	HM	3.50	HM
6. respects the decision and conclusions of the audit team.	3.05	M	3.57	HM	3.31	HM
7. provides justifications on the noted deficiencies during the audit.	3.20	M	3.62	HM	3.41	HM
8. recognizes visible improvement as a result of recommendations compared to the previous year's audit.	3.10	M	3.79	HM	3.45	HM
9. makes officers and employees liable for the payment of COA disallowances with order of execution.	2.90	M	3.54	HM	3.22	M
10. submits agency action plan and status of implementation every after audit.	2.95	M	3.41	HM	3.18	M
General Assessment	3.10	M	3.66	HM	3.38	HM

Legend: 3.25 – 4.00 Highly Manifested (HM) 2.50 – 3.24 Manifested (M)
 1.75 – 2.49 Slightly Manifested (SM) 1.00 – 1.75 Not Manifested (NM)

Table 2.2 shows the level of manifestation of the Local Water Districts' good governance in terms of the principle of Accountability. The general composite assessment is 3.38 which is interpreted as **Highly Manifested**. "The Management remains ethical in their actions" gained the highest mean which was **3.58** and was interpreted as **Highly Manifested**. "The

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Management submits agency action plan and status of implementation every after audit” obtained the lowest mean which was **3.18** and was interpreted as **Manifested**.

Based on the foregoing, it denotes that Management of LWDs have always been ethical in their actions. Being ethical involves performing mandatory functions and making decisions while taking into consideration the agency’s values and at the same time being accountable. Maizatul et al. (2016) conveyed the employment of good governance is very crucial especially to those in the public sector so as to improve the public trust and delivery of services. The public sector must focus in the enhancement of their good governance practices and ensure accountability as aspired by the government’s stakeholders. Their study determined that the public sector can be more reliable and efficient if good governance and proper assessment systems is implemented. And eventually, the improvement of good governance practices will lead to the improvement of accountability as well as the attainment of the public’s expectations.

Brinkerhoff and Wetterberg (2015) mentioned that accountability encompasses both answerability and enforcement. The primary concern of accountability is for an involved individual to provide information and/or justification regarding his/her non-acceptable or non-compliant action. On the other hand, Aziz et al. (2015) shared the notion that good governance and accountability is always interrelated with each other in terms of public organizations which conducts public matters, administer public funds, and ensure the realization of human rights in a fundamentally free of corruption and violence environment, while still adhering to the rule of law. They also claimed that being accountable is instilling an integrity system that can induce employees, especially those in the government sector, to instill commitment in upholding ethical conduct.

The management submits agency action plan and status of implementation every after audit garnered the lowest mean. Despite the result, it still entails that Management exerts effort in developing courses of action in order to implement the audit recommendations and improve their services for the benefit of the public. Rahman (2016) outlines that the concept of good governance convey the need of providing quality services through quality management. For this reason, the term good governance has already set forth ideals that is difficult to attain entirely. Further, governance is a combination of process, content and deliverables which can be thought as three of its major components, wherein the ‘process’ component in particular includes transparency and accountability as part of its essential factors.

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Over and above, Wardhani et al. (2017) stated that the government should concentrate more on improving the quality of good governance and put more efforts in the enhancement of various aspects relative thereto. Similarly, Onichakwe (2016) emphasized that as development administration aims to achieve its target goals, good governance would undoubtedly drive it to the cutting edge. In development administration, good governance is demonstrated by the government's ability to plan, devise, and execute policies and programs that are development-oriented and dedicated to improving citizens' quality of life.

Table 3

Test of Significant Relationship Between the Level of Performance of Financial and Compliance Audit Undertaken by the Commission on Audit and the Level of Manifestation of the Local Water Districts' Good Governance

Level of Performance	Level of manifestation	r value	Remarks	Decision
Quality of Audit	Transparency	.688**	Significant	Reject Ho
	Accountability	.588**	Significant	Reject Ho
Audit Recommendations	Transparency	.571**	Significant	Reject Ho
	Accountability	.489**	Significant	Reject Ho
Professional Ethics	Transparency	.694**	Significant	Reject Ho
	Accountability	.623**	Significant	Reject Ho

Table 3 shows the test of the significant relationship between the level of performance of the Financial and Compliance Audit undertaken by the Commission on Audit and the level of manifestation of the Local Water Districts' good governance. The probability values were all less than the level of significance at .05 thus rejecting the null hypothesis. It could be concluded that there was a significant relationship between the level of performance of the Financial and Compliance Audit undertaken by the Commission on Audit and the level of manifestation of the Local Water Districts' good governance.

The result implies that audit and good governance are closely interrelated with each other. The higher the level of performance of the Financial and Compliance Audit by the COA, the more that it will redound into the improvement of the good governance of the LWD. For instance, when

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an audit report brings to light undisclosed financial and non-financial information of an agency, it will include a recommendation for the disclosure of the same. The compliance of Management is an implication of transparency improvement, and this is the same with those circumstances that affect accountability. The results of an audit require a reciprocal action from Management, thereby making audit and good governance interdependent with each other.

In line with this, Hay and Cordery (2017) wrote that auditing can be of great value for organizations that are subjected to higher risk because the conduct of audits is closely associated with corporate governance. They further cited that in these recent times, the enhancement of governance is commonly connected with a greater demand for audits.

Gustavson (2015) also mentioned in her study that it has been proven that the results of audit positively impacts the performance of an organization when such result is being made public for the citizens. She further added that auditing provides recommendations to the auditee (public sector) with an aim to improve its performance. The study then concluded that auditing in point of fact plays a vital role in establishing a well working public sector, however, it should be conducted in accordance with appropriate principles, for instance, the principles of good government auditing. Likewise, Rai (2015) emphasized that in regard good governance and sustainable development, an effective audit relatively strengthened governance as it provided for accountability while protecting the core values of the government. More so, it had a significant role especially in safeguarding the interests of the interested parties which ultimately led to the facilitation of good governance.

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Table 4.1

Multiple Regression Analysis on the Level of Performance of Financial and Compliance Audit Undertaken by the Commission on Audit and the Level of Manifestation of the Local Water Districts' Good Governance in terms of the Principle of Transparency

Model	Unstandardized Coefficients		Standardized Coefficients	T	F change	Adjusted R ²	P Value	Decisions	Remarks
	B	Std. Error	Beta						
(Constant)	1.309	0.253		5.178					
Quality of Audit	0.378	0.128	0.463	2.959	0.474	.000	Reject ho	Significant	72.284
Professional Ethics	0.425	0.134	0.475	3.161	0.512	.010	Reject ho	Significant	7.047

R – Square = .535
 Adjusted R Square = .516
 F-value = 29.118
 Significance = .000

Table 4.1 shows the regression analysis on the level of performance of the Financial and Compliance Audit undertaken by the Commission on Audit and the level of manifestation of the Local Water Districts' good governance in terms of the principle of Transparency. Based on the table, the quality of audit and professional ethics significantly impact the level of manifestation of the Local Water Districts' good governance in terms of transparency. The probability value of .004 and .002 were both less than the level of significance at .05, thus rejecting the null hypothesis.

The results of the study revealed that the quality of audit and professional ethics significantly impact the level of manifestation of the Local Water Districts' good governance in terms of Transparency by 53.5%.

A multiple linear was calculated to predict the transparency based on the quality of audit and professional ethics. A significant regression equation was found that quality of audit and professional ethics had an F value of 29.118 and a probability value of .000 with an adjusted R square of 51.6%. The quality of the audit had an F change value of 72.284 and a probability value of .000 with an adjusted R square of 47.4%. The professional ethics had an F change value of 7.047 and a probability value of .010 with an adjusted R square of 51.2%. Since the probability values were all less than .05, it was interpreted that the model had accounted for a statistically significant amount of variance in the outcome. The level of performance on financial and

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compliance audits that were undertaken by the Commission on Audit particularly the quality of audit and professional ethics singly or in combination significantly impacted the level of manifestation of the Local Water Districts' good governance in terms of the transparency.

Table 4.2

Multiple Regression Analysis on the Level of Performance of Financial and Compliance Audit Undertaken by the Commission on Audit and the Level Of Manifestation of the Local Water Districts' Good Governance in terms of the Principle of Accountability

Model	Unstandardized Coefficients		Standardized Coefficients	T	F change	Adjusted R ²	P Value	Decisions	Remarks
	B	Std. Error	Beta						
(Constant)	1.560	0.274		5.692	0.395	.000	Reject ho	Significant	
Professional Ethics	0.447	0.146	0.516	3.069					18.174
R – Square	=	.418							
Adjusted R Square	=	.395							
F-value	=	18.174							
Significance	=	.000							

Table 4.2 shows the regression analysis on the level of performance of Financial and Compliance Audit undertaken by the Commission on Audit and the level of manifestation of the Local Water Districts' good governance in terms of the principle of Accountability. Based on the table, ethics significantly impacted the level of manifestation of the Local Water Districts' good governance in terms of Accountability. The probability value of .003 was less than the level of significance at .05, thus rejecting the null hypothesis.

The results of the study revealed that professional ethics significantly impact the level of manifestation of the Local Water Districts' good governance in terms of accountability by 41.8%.

A multiple linear was calculated to predict accountability based on professional ethics. A significant regression equation was found that professional ethics had an F value of 18.174 and a probability value of .000 with an adjusted R square of 39.5%. The professional ethics had an F change value of 18.174 and a probability value of .000 with an adjusted R square of 39.5%. Since the probability value was less than .05, it was interpreted that the model had accounted for a statistically significant amount of variance in the outcome. The level of performance on financial and compliance audit undertaken by the Commission on Audit particularly the professional ethics

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singly or in combination significantly impacted the level of manifestation of the Local Water Districts' good governance in terms of the accountability.

CONCLUSIONS

The Commission on Audit delivers its services in consonance with the standards set by the office which is recognized and appreciated by the auditee with the end in mind that the audit helps them with deficiencies that management needs to improve. Likewise, it may provide the suggested corrective actions to the auditees for a particular area with noted weaknesses in a manner that encourages the auditees to do more, explore more and improve more. The auditors of the commission may also consistently display professional ethics by always showing good values and behavior to the auditees whether during or even after the period of audit which is contributory to the production of good audit quality. Moreover, the management of the Local Water Districts is governed by the principle of transparency on the performance of their mandates by providing reliable information to the public and are compliant with the observance of the principle of accountability that plays an important role in their actions and decisions.

On the other hand, the level of performance of the COA in conducting financial and compliance audits is crucial in the attainment of good governance in subjected into audit the different government agency that in terms of transparency and accountability. Further, the quality of audit and professional ethics significantly impact the level of manifestation of the Local Water Districts' good governance as to transparency. Likewise, professional ethics significantly impact accountability. As a result of this study, an action plan is proposed for the Commission on Audit. Such an action plan may help in the improvement of the overall conduct of financial and compliance audits.

RECOMMENDATIONS

The Commission on Audit may monitor the quality of audits conducted in different agencies through institutionalized client satisfaction feedback as the basis for the preparation of the audit action plan of the organization. Also, its auditors may maintain a good tone in writing the audit recommendations. The same may also be written in a workable and attainable manner to increase its likelihood of being implemented. Further, the auditors may also observe a constant

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display of ethics throughout the conduct of the audit to maintain good rapport with the auditee and to produce a quality report.

Meanwhile, the management of the Local Water District may conduct a regular in-house assessment. Aside from the top-level management, the involvement of the low-level and middle-level management is also important for more detailed feedback with regards to the areas that need disclosure improvement. This may also help lessen the AOMs to be issued by the auditors as management may already solve matters proactively before they may be discovered during the audit. Moreover, they may ensure that the mandate of the agency is clearly understood by all of its employees for the proper execution of their functions and work accountabilities.

The members of the Commission on Audit may actively engage themselves in the vision of the agency to become an enabling partner of the public sector and to be committed to rendering excellent audit services. In this way, they may continuously assist the auditees in fostering good governance in their respective organizations. Likewise, The Commission on Audit may focus on the constant improvement of the audit process by adopting new technology and methodologies towards the enhancement of the conduct of audits as the results thereof have a significant impact on the good governance manifestation of the auditee.

Also, the proposed action plan may further be improved by incorporating other strategies that would develop a more effective and efficient audit engagement. A regular update and continuous implementation thereof will ensure that the level of performance of the Financial and Compliance Audit will not deteriorate but rather will remain progressive.

Further, future research may be undertaken on other existing government agencies and the auditors assigned in the CALABARZON Region to broaden the spectrum of the study since this research focused only on the Local Water Districts being the auditees and the assigned auditors thereto. It can be seen from the results of the study that although the independent and dependent variables have a significant relationship, the independent variable does not fully ascertain the outcome of the dependent variable. The conduct of further study is needed to determine factors that would affect the manifestation of good governance, other than the conduct of financial and compliance audits. Other principles of good governance such as participation, rule of law, responsiveness, broad consensus, equity and inclusiveness, effectiveness and efficiency, and strategic vision can also be included in the study. More research is also suggested

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to be conducted on the impact of other factors on good governance that are not highlighted in this study, such as but not limited to the audit process, follow-ups on the implementation of audit recommendations, and independence of the auditors.



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