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DEBIT CREDIT

Improving disclosures on corrupt practices

Curbing corrupt practices in the government requires significant political will and governance mechanisms to allow transparency in financial disclosures of individual government personnel. Current laws in the Philippines requires the annual filing of government official's Statement of Assets, Liabilities and Net Worth ('SALN') under Republic Act 6713, however, these filed statements are not subject to annual audit though readily available for inspection.

Corporations are subjected to annual audit inspection by independent auditing firms to provide reasonable comfort for the corporation's stakeholders. The risk of misreporting for private companies is likely similar to the risks of misrepresentation by public officials preparing their SALNs. This raises the question of whether current practice of self-certification is enough for fiscal financial transparency.

There are several articles written indicating that increasing government employees' salaries (e.g., Singapore) or the 'Name and Fame' scheme (e.g., Nepal) can effectively curb corruption— however, local adaptation would need to be taken for these to

become effective. While requiring annual audit inspection for public official's SALNs are uncalled for, there are easy actions which could be taken from the private sector perspective to improve financial transparency of government officials.

Current local regulations in the country do not require the disclosure of political donations. These items are considerably small or immaterial from the perspective of the private entity but can result to massive influence to public officials. Donations, in monies or in kind, should be included as a disclosure in the financial statements regardless of its amount.

This disclosure requirement is not new as it is required under the Companies Act 2006 (United Kingdom) as part of the Director's Report. This additional disclosure can be interesting as it is part of the information being audited by the private sector company's auditors.

The proposal of this additional disclosure provides comfort in two-folds: (1) As a cross-check to the amounts declared in the public official's SALN; and (2) as an statement of fact that is covered by management's and auditor's reporting responsibility.

Facilitation payments are fundamental part of the country's business operations in order to have a "smoother" transaction with the government agencies. While these payments are conceptually so small to be disclosed, the backing of a legal requirement to disclose the total amounts per agency of facilitation payments can help in improving fiscal governance.

These disclosures can potentially be detrimental to a company's future business transaction with the related agencies. Therefore,

utmost care and confidentiality should be kept in these types of disclosures. Currently there are no transparency platforms in the country which allows anonymous submission of a legitimate complaint (though it seems something is on its way) — this reporting could help curb transaction level corruption at individual bureaus.

Fighting corruption is a long struggle for any country striving to grow beyond the shadows of illicit practices limiting national development. While more actions can be taken, baby steps will need to be taken before throwing in the net to catch these morons.

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This column accepts contributions from accountants, especially articles that are of interest to the accountancy profession, in particular, and to the business community, in general. These can be e-mailed to boa.secretariat@gmail.com.