

EXECUTIVE SUMMARY

A. Introduction

The Office of the Government Corporate Counsel (OGCC) serves as the principal law office of all Government Owned and Controlled Corporations (GOCCs), including government corporate entities and chartered institutions through Administrative Order (AO) 392, Republic Act (RA) 6000 and Executive Order (EO) 878. It controls and supervises the legal departments/divisions of GOCCs. It ensures harmony of legal positions. It also arbitrates issues between GOCCs and issues rules and regulations. It is committed to uphold justice under the rule of law with integrity, excellence and professionalism.

The recruitment process of OGCC is on-going to fill up its manning requirements. The agency has a total manpower of 117 regular employees as of year-end which is 83.57 percent of the total requirements of 140 plantilla positions to support its mandate, details are as follows:

1) Elpidio J. Vega, Government Corporate Counsel (GCC), 2) 10 Assistant Government Corporate Counsel (AGCC), 3) 46 legal staff and 4) 60 administrative staff.

B. Operational Highlights

The Agency reported the following accomplishments per performance indicator for CY 2018:

a. Opinions and Contract Reviews

	Opinions	Contract Reviews
Beginning Balance	33	44
Requests for 2018	333	751
Total	366	795
Acted Upon	366	795
Ending Balance	-	-
Disposition Rate	100%	100%

b. Litigation

Beginning balance	5,028
New cases	425
Terminated cases	222
Pending cases	5,231

At the beginning of the year 2018, OGCC was handling 5,028 cases, a carry-over from the previous year. The OGCC has received 425 new cases for 2018 of which

222 cases were terminated by virtue of the decisions from the various judicial, quasi-judicial and administrative agencies while the rest are cases already acted upon by OGCC but remained pending in lower and/or appellate courts.

C. Financial Highlights

Under RA 10964 (GAA 2018) the agency had a total appropriation of ₱125,492,000.00 for CY 2018.

The financial condition, results of operations and sources and application of funds for CY 2018, with corresponding figures for CY 2017, are summarized as follows:

Particulars	2018	2017	Increase/ (Decrease)
Financial Position			
Total Assets	₱ 17,987,752.72	₱ 13,487,220.06	₱ 4,500,532.66
Total Liabilities	10,632,480.90	6,778,793.39	3,853,687.51
Equity	7,355,271.82	6,708,426.67	646,845.15
Financial Performance			
Total Revenue	₱ -	₱ -	₱ -
Total Expenses	156,181,534.67	129,285,277.20	26,896,257.47
Net Financial Assistance-Subsidy	154,839,408.22	129,446,328.15	25,393,080.07
Excess of Expenses over Income	(1,342,126.45)	161,050.95	(1,503,177.40)
Sources and Application of Funds			
Allotments Received	₱162,424,070.00	₱135,640,925.00	₱ 26,783,145.00
Obligations Incurred	155,852,650.16	128,527,127.66	27,325,522.50
Unexpended Balance	6,571,419.84	7,113,797.34	(542,377.50)

OGCC also received funds from client GOCCs as authorized under Section 4 of Presidential Decree (PD) 1415 for payment of allowances and special assessment fees totaling ₱16,380,901.11.

D. Scope of Audit

The audit covered the transactions and operations of the OGCC for CY 2018.

E. Auditor's Report

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements of the OGCC as of December 31, 2018.

F. Summary of Significant Audit Observations and Recommendations

1. Prior years' reconciling items amounting to ₱1,273,106.18 remained unidentified for more than 25 years, thus, giving doubts as to the reliability of the Cash in Bank – Local Currency Saving Account (Trust).

We recommended and Management agreed to designate a dedicated person to work on the reconciliation of this accounts and require him to render monthly accomplishment report/status report of the work done.

2. Slow moving items and various inventory items amounting to ₱18,755.06 were purchased in excessive quantities resulting in overstocking contrary to Section 25 of General Appropriations Act (GAA) of 2018 and Section 7.1 of the Implementing Rules and Regulations of RA 9184.

We recommended and Management agreed to a) monitor properly the purchases and issuances of inventory and establish re-ordering point/level of the supplies; b) plan the procurement of supplies and materials carefully and judiciously in accordance with the two-month requirement and strictly monitor the issuance to avoid inventory overstocking and; c) institute measures to improve planning such as determination of the needs/requirements for supplies of different teams for a more realistic Annual Procurement Plan.

3. The Property, Plant and Equipment (PPE) accounts were unreliable due to: a) misclassification/wrong usage of accounts and non-periodic reconciliation of accounting and property records thus, showing a difference of ₱954,632.66 between the books and report on the physical count; b) unrecorded donated books with undetermined amount; and c) unserviceable properties amounting to ₱2,952,870.00 were not disposed of and disclosed to the Notes to Financial Statements contrary to Section 79 of PD 1445 and Section 48.d.3 of Government Accounting Manual Volume I (GAM Vol. I).

We recommended and Management agreed to a) direct the Accounting Section to use the GAM Volume III for the correct usage of accounts and for Accounting and Property Sections to periodically reconcile their records and exert diligent efforts to determine the exact amount of discrepancies and make necessary adjustments thereof; b) record the donated books using their fair market values in compliance with the Revised Chart of Accounts and; c) dispose immediately the unserviceable PPE to prevent further deterioration and in order to maximize the realizable value that could be derived therefrom. In the meantime, disclose them to the Notes to Financial Statements while waiting for the disposal.

4. The Accounting Division failed to maintain Property Plant Equipment Ledger Card (PPELC) and Supply Ledger Card (SLC) contrary to Section 42. e Chapter 10 and Section 17 Chapter 8 of GAM Volume I, respectively.

We recommended and Management agreed to require the Accounting Division to maintain PPELC and SLC for check and balance of the account.

The foregoing findings and recommendations embodied in the report were discussed with the concerned officials of the agency during the exit conference on March 22, 2019. Management comments and reactions were considered in the report, where appropriate.

G. Implementation of Prior Year's Audit Recommendations

All eight audit recommendations contained in the previous Annual Audit Report were fully implemented. Details are shown in Part III of this report.