

EXECUTIVE SUMMARY

A. Introduction

The Office of the Solicitor General (OSG) was formerly the Bureau of Justice created by virtue of the first Judiciary Act No. 136 of June 16, 1901. It was re-organized after the enactment of series of legal issuances for the modifications of its creation as well as its functions and finally known as OSG by virtue of Executive Order No. 94 on October 4, 1947. The Administrative Code of 1987 provides its organizational structure, powers and functions.

To strengthen the OSG, Republic Act No. 9417 was passed into law on March 30, 2007, expanding and streamlining its bureaucracy, upgrading employee skills and augmenting benefits, and appropriating funds therefor. “The Office of the Solicitor General is the law firm of the Republic of the Philippines. It is tasked to represent the People of the Philippines, the Philippine Government, its Agencies and Instrumentalities, Officials and Agents (especially before appellate courts) in any litigation or matter requiring the services of a lawyer”. The Solicitor General is the Chairman of the Special Committee on Naturalization which together with its members has the power to approve, deny or reject applications for naturalization.

Atty. Jose C. Calida is the Solicitor General assisted by 28 Assistant Solicitors General. As of December 31, 2018, the OSG has 773 filled-up plantilla positions consisting of 715 permanent employees, 46 co-terminus/consultants and 12 temporary positions, details are as follows:

Office/Division	Personnel Complement			
	Permanent	Temporary	Co-Terminus/ Consultant	Total
Office of the Solicitor General	8	0	12	20
Legal Services Section	526	10	27	563
Human Resource Management & Administrative Section	82	0	7	89
Finance Management Service	27	0	0	27
Docket Management Services	52	2	0	54
Case Management Services	20	0	0	20
TOTAL				773

B. Operational Highlights

The OSG’s principal programs, projects and activities for the year 2018 is in consonance with its functions to render general management and support services to the agency’s operation in providing legal services to the Government, its offices and agencies.

The OSG’s accomplishments for FY 2018 are as follows:

Activities	Beginning Balance 01/01/2018	Received in 01/01/18 to 12/31/2018	Resolved/Decided/ Approved 12/31/2018	Balance
Cases	1,351,982	55,366	337,492	1,069,856
Petitions Special Committee on Naturalization (EO 460 and RA 9139)	74	53	44	83

Activities	
Number of briefs, comments, petitions, complaints, reports and other pleadings	7,333
Number of notice of appearances	2,895
Number of official communications sent	3,038
Total	13,266

C. Financial Highlights

The financial position, financial performance and the sources and applications of funds of the OSG as of December 31, 2018 with corresponding figures for CY 2017 are as follows:

	2018	2017
Financial Position		
Total Assets	175,870,229.06	140,040,515.86
Total Liabilities	54,527,855.19	23,324,680.14
Government Equity	121,342,373.87	116,715,835.72
Financial Performance		
Total Revenue	4,408,859.14	4,285,962.66
Total Expenses	1,102,672,347.92	1,052,765,656.10
Net Financial Assistance/Subsidy	1,109,283,096.56	1,050,767,920.00
Surplus for the period	11,019,607.78	2,288,226.56
Sources and Application of Funds		
Allotments Received	1,240,708,714.00	1,105,268,664.07
Obligations Incurred	1,118,122,850.99	1,078,602,160.62
Unexpended Balance	122,585,863.01	26,666,503.45

For the year, OSG generated a total revenue of ₱4,408,859.14 for the national government through the collection of fees from filing/form, certification and oath taking, receipt from xerox, canteen rental, dividend income, income from disposal of assets and five percent monetary award from client agency.

D. Scope of Audit

The audit covered the accounts and operations of the OSG for CY 2018. The audit was conducted to: a) ascertain the level of assurance that may be placed on the Management's assertion on the financial statements; b) determine the propriety of transactions as well as extent of compliance on the applicable laws, rules and regulations; c) recommend agency improvement opportunities; and d) determine the extent of implications of prior year's audit recommendations. Moreover, the audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI).

E. Independent Auditor's Report on the Financial Statement

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Office of the Solicitor General (OSG) as at December 31, 2018.

F. Summary of Significant Audit Observations and Recommendations

The following are the significant audit observations and corresponding recommendations, which were discussed with Management Officials concerned, details of which are discussed in the Part II of this report.

1. The *Cash in Bank, Local Currency, Current Account (LCCA)* amounting to ₱23,001,842.55 was understated by ₱4,403,522.25 due to (a) unrecorded deposits amounting to ₱4,379,223.35 and interest earnings amounting to ₱24,298.90; and (b) unadjusted deposit in transit amounting to ₱61,552.65. Moreover, delayed submission of Bank Reconciliation Statement (BRS) ranging from 43 days to 187 days was noted. (*Observation No. 1*)

We recommended that the Chief Accountant (a) justify/record all transactions, bank credits and debits to fairly present the balance of the account; (b) seek assistance with the servicing bank to identify depositor/agencies which made the deposits; (c) submit the BRS to COA office on time for verification, and; (d) request for authority to write-off the dormant amounts pursuant to COA Circular No.97-001.

2. The balance of the *Property, Plant and Equipment (PPE)* account amounting to ₱242,913,439.88 is overstated/understated due to: a) inclusion of semi-expandable properties falling below the capitalization amounting to ₱788,550.60; b) non-disposal of unserviceable properties amounting to ₱21,221,947.69, c) unrecorded firearms with undetermined amount; d) incomplete documentation of transferred/donated PPE; e) failure to derecognize lost ICT equipment for which request for relief was already granted in the amount of ₱93,160.00; and f) failure to set up accountability of the Accountable Officer amounting to ₱143,585.99 contrary to the pertinent provisions of the Government Accounting Manual (GAM) and Presidential Degree (PD) 1445. (*Observation No. 2*)

We recommended that Management direct/instruct the (a) Chief Accountant to: 1. prepare a Journal Entry Voucher to adjust the PPE and Semi-Expendable accounts accordingly; and 2. submit/attach in the JEV prepared for the derecognition in the books of the transferred/donated PPE, the copy of the JEV from the transferee agency representing the receipt of the donated PPE. Likewise, to complete the signatures in the PTR form; (b) Property Section/Unit to: 1. report in the IIRUP all unserviceable properties and provide explanation for the non-inclusion in the IIRUP of the remaining unserviceable properties; 2. Property Officer to surrender to the Philippine National Police the unlicensed firearms or have it licensed immediately; 3. provide property number on all PPE; and 4. Disposal Committee to dispose their unserviceable properties in accordance with the existing rules and regulations to prevent further deterioration; and (c) Accounting and Property Division to update and complete as of December 31, 2018 all the information/data in the PPELC and PC, respectively.

3. The accounts Other Prepayments was understated while Subscription Expenses was overstated both by ₱2,012,862.61 due to outright recording as expense of procurement of Microsoft Office 365 Pro+ and Azure Monetary Commit Shared Server amounting to P2,109,819.00 and P808,422.14, respectively contrary to Paragraph a, Section 2, Chapter 2 and Section 7, Chapter 19 of the Government Accounting Manual Volume (GAM) I and Volume III. (*Observation No. 3*)

We recommended that Management instruct the Chief Accountant to (a) Prepare a Journal Entry Voucher to adjust the erroneous entry made; and (b) Observe the proper recording and usage of accounts in accordance with GAM, Volumes I and III, respectively.

4. The procurement of ordinary office supplies and equipment amounting to ₱5,510,697.92 thru the alternative mode of procurement without the necessary postings in the PhilGEPS website, among others, is not consistent with Section IV(E) Annex H of the Revised Implementing

Rules and Regulations of Republic Act (RA) No. 9184. (*Observation No. 4*)

We recommended and Management agreed to direct/instruct: a) the concerned HRMAS Official/Employee that henceforth, to strictly comply with the requisite posting in the PhilGEPS website and in the premises (conspicuous place) of OSG the RFQs if the alternative mode of procurement e.g. shopping and small value procurement is resorted to; and b) the concerned FMS Official/Employee to submit the Official Receipt and in the future with similar transactions, verify and validate the completeness of supporting documents before effecting payments.

5. Airplane tickets for foreign travel amounting to ₱7,128,374.84 were not supported by complete documents like three quotations of travel agencies or its equivalent among others, contrary to Section 4 of PD No. 1445, The State Audit Code of the Philippines and Section 1.1.4.2 of COA Circular 2012-001 dated June 14, 2012. (*Observation No. 5*)

We recommended and Management agreed to direct/instruct: a) ensure all documents required be attached before effecting payment/reimbursement of claims; and b) henceforth, the concerned HRMAS Official/Employee to comply with the requisite posting in the PhilGEPS website and in the premises (conspicuous place) of OSG the RFQs if the alternative mode of procurement e.g. shopping and small value procurement is adopted.

6. Training expenses amounting to ₱1,270,312.50 for local training held in hotels and restaurants not usually used for government-sponsored international conventions, and the use of alternative mode of procurement is not compliant to COA Circular No. 2012-003 dated October 29, 2012 and Section 48.1, 54.2 and 54.3 of the Revised IRR of RA 9184, respectively. (*Observation No. 6*)

We recommended and Management agreed to (a) refrain from conducting seminars/trainings in expensive venues and instead hold future seminars/trainings at office premises or give preference in the lease of government-owned property as venue to save on scarce government resources; and (b) require the Accountant to review and verify the completeness and validity of the documentary requirement prior to payments.

7. Honoraria/Training fees of lecturer/speakers during training/seminars and Terminal Leave Benefits amounting to ₱442,704.18 were paid without adequate/complete documentation, contrary to Section 5.7.4 of COA Circular 2012-001 dated June 14, 2012 and Section 4 of PD No. 1445, The State Audit Code of the Philippines. (*Observation No. 7*)

We recommended and Management agreed to direct/instruct the: a) FMS Official/Employee concerned to review and verify the completeness and validity of the documentary requirements prior to payment; and b) office/department to attached/submit the following documents among others i) Notice of payment and ii) Monthly report to the mother agency of the recipient official/employee regarding the extra or additional compensation paid to the said recipient (lecturer/speaker).

8. Officials/Employees on official foreign travel to attend training/seminars were granted Daily Subsistence Allowance (DSA) exceeding that which is allowed under Section 10 of Executive Order No. 298 dated March 23, 2004, hence, disallowed in audit. (*Observation No. 8*)

We recommended and Management agreed to instruct (a) the concerned OSG Official/Employee herein specified to refund the excess DSA; (b) the Chief Accountant to issue certification that the previous cash advance (if any) of Official/Employee on official travel has been liquidated and accounted for in the books; (c) the Budget Officer to reclassify DSAs charged to “Training Expenses” to the appropriate account “Travelling Expenses” and to observe correct usage of accounts in the National Expenditure Program so that claims for DSAs are correctly charged to Travelling Expenses – Foreign pursuant to the Government Accounting Manual, Volume III; and (d) the concerned FMS Official/Employee to be guided by the pertinent provision of EO No. 298 in granting DSAs.

9. The agency allotted ₱41,410,000.00 or 4.4 percent of its total budget of ₱939,646,000.00 for GAD Programs, Activities and Projects. However, the GAD Plan and Budget (GPB): a) were not endorsed and approved by Philippines Commission on Women (PCW); b) only 9 out of 14 of GAD planned activities were accomplished and the c) delayed submission of Accomplishment Report (AR) to COA contrary to Section 30 of the General Provisions of General Appropriations Act (GAA) of FY 2018, Item 7.v and Item vii of PCW-NEDA-DBM Joint Circular (JC) and Section 5 of COA Circular 2014-001. (*Observation No. 9*)

We recommended and Management agreed to: a) instruct the GAD Focal Person to ensure the review, approval and endorsement by PCW GPBs and the submission of AR; b) adhere to COA Circular No. 2014-001 on the timely submission of said reports to the COA Audit Team; and c) ensure that all activities pertaining to identified GAD issues are accomplished as planned.

The above findings and recommendations were discussed with the concerned officials of the agency in an exit conference conducted on March 27, 2019. Management’s views and reactions were considered in the report, where appropriate.

G. Status of Implementation of Prior Years' Audit Recommendations

Out of the 29 audit recommendations contained in the CY 2017 Annual Audit Report, 20 were fully implemented, five were partially implemented and four were not implemented. The results of validation of the actions taken in prior year's recommendations are presented in Part III of this report.