

EXECUTIVE SUMMARY

A. Introduction

Republic Act (RA) No. 9165, also known as The Comprehensive Dangerous Drugs Act of 2002 bolsters the role of the Philippine Drug Enforcement System. It also redefines the Dangerous Drugs Board (DDB) as a policy and strategy-formulating body by creating the Philippine Drug Enforcement Agency (PDEA) as the leading agency amongst all other law enforcement agencies in the fight against illegal drugs.

As an implementing arm of the DDB, among its mandate is to exercise operational supervision over drug enforcement units of other law enforcement agencies and to coordinate the participation of other sectors in the national anti-drug campaign.

The PDEA is headed by Director General Aaron A. Aquino with the rank of Undersecretary. He is assisted by two Deputy Director Generals, one for Operation and the other for Administration, both with the rank of Assistant Secretary.

As provided under RA No. 9165, PDEA has 10 national staff services, namely:

1. Administrative and Human Resource Service
2. Financial Management Service
3. Logistic Management Service
4. Intelligence and Investigation Service
5. Internal Affairs Service
6. Plans and Operations Service
7. Legal and Prosecution Service
8. Compliance Service
9. International Cooperation and Foreign Affairs Service
10. Preventive Education and Community Involvement Service

The law also provides the establishment of the PDEA Academy to oversee the recruitment and training of all its agents and personnel, as well as the formulation of programs of instruction for career and specialized anti-drug training courses. PDEA also maintains and supports 17 Regional Offices (ROs) and 31 Satellite Offices nationwide.

As of December 31, 2018, a total of 2,820 personnel composed the organizational structure of PDEA, of which 2,472 were permanent, 10 temporary, 158 job orders, 21 consultants and 159 contractual personnel.

B. Operational Highlights

Below are the reported accomplishments of PDEA for Calendar Year (CY) 2018:

Organizational Outcomes / Performance Indicators	Target	Actual Accomplishment	Per-centage of Accomplishment
Dangerous Drugs Supply Reduction and Suppression Program			
Output Indicators			
<ul style="list-style-type: none"> Percentage of high value targets arrested in total arrests 	35%	37%	106
<ul style="list-style-type: none"> Number of high impact operations conducted during the year 	300	470	157
<ul style="list-style-type: none"> Percentage of drug-related information and reports acted upon which resulted to anti-drug operations 	25%	62%	248

C. Financial Highlights

The financial position, financial performance and sources and utilization of funds of PDEA for CY 2018 with the corresponding figures for CY 2017 are shown below:

Particulars	Amount (₱)	
	2018	2017 (As Restated)
Financial Position		
Assets	1,992,659,502.79	1,216,699,612.52
Liabilities	296,871,640.80	748,206,571.38
Net Assets Equity	1,695,787,861.99	468,493,041.14
Financial Performance		
Revenue	193,869,475.00	52,774,528.00
Current Operating Expenses	2,082,565,216.23	1,476,284,505.86
Net Financial Assistance/Subsidy	3,115,737,336.56	1,544,919,291.00
Gains	2,562,932.00	1,183,500.00
Loss	25,987.86	-

Particulars	Amount (₱)	
	2018	2017 (As Restated)
Surplus/(Deficit) for the year	1,229,578,539.47	122,592,813.14
Sources and Utilization of Funds		
Appropriations	2,930,030,823.00	2,047,708,897.15
Allotments	2,930,030,823.00	2,047,708,897.15
Continuing Appropriations	-	12,486,910.93
Obligations Incurred	2,929,065,187.64	2,047,271,875.75
Disbursements	2,658,478,612.26	1,545,016,689.54
Unobligated Allotments	965,635.36	437,021.40

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances for CY 2018 is shown in *Annex A*.

D. Scope of Audit

The audit was made on the accounts of PDEA for CY 2018. The objectives of the audit were to: (a) verify the level of assurance that may be placed on management's assertions on the Financial Statements (FS); (b) determine extent of compliance with laws, rules and regulations; and (c) determine the extent of implementation of prior year's audit recommendations. Moreover, the audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

E. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the FS of PDEA as at December 31, 2018 because procured Inventory and Property, Plant and Equipment (PPE) items totaling ₱27,918,460.00 and ₱1,525,000.00, respectively, were recorded as outright expenses instead of inventory and PPE accounts contrary to Paragraph 44 of Philippine Public Sector Accounting Standards (PPSAS) 12 and Paragraph 12 of PPSAS 17 which resulted in the overstatement of total expenses with corresponding understatement of total assets.

F. Other Significant Audit Observations and Recommendations

The audit observations and corresponding recommendations were discussed with Management officials concerned and details of which are incorporated in Part II of this report. Management views and comments were incorporated in the report, where appropriate. Below is significant among the observations:

1. Of the ₱110,821,033.98 Travelling Expenses -Local incurred from January 1 to December 31, 2018, ₱9,128,757.51 disbursements and ₱13,322,645.97 liquidations had incomplete supporting documents. Likewise, 101 DVs amounting to ₱51,831,293.68 were found to be not supported with Official

Receipts (ORs). This situation is not in accordance with existing laws, rules and regulations and casted doubts on the validity, existence, occurrence and regularity of the claims.

We recommended and Management agreed to direct the:

- a. Accountant to:
 - (1) ensure that DVs / LRs submitted for processing have complete supporting documents; and
 - (2) submit to the Audit Team the documentary requirements of the transactions amounting to ₱22,451,403.48.
 - b. Cashier to require the claimants to submit the ORs of the received payments and refrain from payment without complete documentation of the previous ones.
2. Additional cash advances (CAs) totaling ₱31,300,433.62 were granted to 21 Accountable Officers (AOs) with outstanding CAs resulting in the accumulation of unliquidated CAs for Operating Expenses to ₱43,154,908.37 as at December 31, 2018 and contrary to Section 5.8 and 4.1.2 of COA Circular No. 97-002 dated February 10, 1997.

We recommended and Management agreed that:

- a. the Chief Accountant send demand letters to all AOs with outstanding CAs to immediately settle/liquidate their CAs considering that the purpose for which the CA were granted had already been served; and
- b. Management strictly limit the granting of cash advance to officers and employees.

G. Implementation of Prior Year's Audit Recommendations

Of the seven audit recommendations embodied in the Annual Audit Report (AAR) of CY 2017, all seven were implemented. The details are presented in Part III of this report.