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 24 Assistant Solicitors General. As of December 31, 2016, the OSG has 697 filled-up plantilla positions consisting of 650 permanent employees, 37 co-terminus/consultants and 10 temporary positions.

B. Operational Highlights

The OSG's principal programs, projects and activities for the year 2016 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 2016 are as follows:

Activities	Beginning Balance 1/01/2016	Received in 01/01/16 to 012/31/2016	Resolved / Decided/ Approved 12/31/2016
Cases	333,471	30,444	28,604

Activities	Beginning Balance 1/01/2016	Received in 01/01/16 to 012/31/2016	Resolved / Decided/ Approved 12/31/2016
Petitions Special Committee on Naturalization (EO 460 and RA 9139	68	-	-
Total	**333,539**	**30,444**	**28,604**

Activities	
Number of briefs, comments, petitions, complaints, reports and other pleadings filed	26,036
Number of instructions to Provincial/City Fiscals sent	31,574
Number of official communications sent	33,840
Total	**91,450**

C. Financial Highlights

The financial position, financial performance and the sources and applications of funds of the OSG as of December 31, 2016 are as follows:

	2016	2015
Financial Position		
Total Assets	₱ 140,126,513.55	₱ 96,627,490.01
Total Liabilities	23,859,348.48	16,126,116.88
Government Equity	116,267,165.07	80,501,373.13
Financial Performance		
Total Revenue	7,984,843.82	6,982,525.19
Total Expenses	838,086,718.28	909,359,050.63
Net Financial Assistance/ Subsidy	799,728,882.17	910,010,376.44
Sale/Gain/Loss of Assets	(271,026.78)	(31,164.90)
Surplus for the period	(30,644,019.07)	7,602,686.10
Sources and Application of Funds		
Allotments Received	889,263,949.22	962,528,029.55
Obligations Incurred	822,465,474.46	897,658,204.93
Unexpended Balance	₱ 66,798,474.76	₱ 64,869,824.62

For the year, OSG generated total revenue of ₱7,984,843.82 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 transactions and operations of the OSG for CY 2016.

E. Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Office of the Solicitor General (OSG) in view of the materiality of the accounting errors and deficiencies in some accounts as shown in the Matrix on the Analysis of the Effects on the Misstatements on the Financial Statements as enumerated below together with the recommendations:

1. The accuracy of the Cash in Bank – Local Currency Account (LCCA) and Foreign Currency Savings Account (FCSA) amounting to ₱2,642,463.75 and ₱308,565.22, respectively, could not be ascertained due to: (a) unadjusted deposit in transit and erroneous entries in the books; (b) discrepancy between the book and bank balances; and (c) non-preparation and submission of Bank Reconciliation Statement (BRS). *(Observation No. 1)*

   We recommended that management require the Accountant to a) locate the documents pertaining to deposits in transit, identify the nature of errors found and record the appropriate adjusting entries in the books of accounts; b) secure from LBP: i. all the necessary documents to support the preparation of the bank reconciliation statements; ii. copies of the withdrawal slips for LBP Account No. 1804-0021-69 from its inception in CY 2003 up to the present; and c) submit the BRS to COA office immediately for verification, and henceforth, submit them on time.

2. The accuracy and reliability of the Office Supplies Inventory Account could not be ascertained because the Report on Physical Count on Inventories (RPCI) as of December 31, 2016 does not reconcile with the balance per books. Moreover, instructions for the preparation and submission of RPCI as required per the Government Accounting Manual (GAM) Volume II were not strictly followed. *(Observation No. 2)*

   We recommended that Management a) analyze the discrepancy between the balance per books and RPCI to determine if there are unrecorded purchases/issuances during the current year as well as in prior years which caused the overstatement/understatement of the office supplies account; b) reconcile the records with the RPCI, SLC and SC and thereafter make the necessary adjustments; c) conduct semi-annual physical count of inventories and prepare RPCI duly approved by the Head of the Agency or

his authorized representative and submit to this office not later July 31 and January 31 of each year for the first and second semesters, respectively; and d) henceforth, strictly follow the instructions in the preparation of the RPCI.

3. The accuracy and reliability of Property, Plant and Equipment (PPE) accounts totalling ₱137,774,011.21 was doubtful due to 1) discrepancy of ₱17,334,301.71 between the books and the Report on Physical Count of Property, Plant and Equipment (RPCPPE); 2) not updated PPE Ledger Cards (PPELC) by the Accounting Section and incomplete Property Cards (PC) maintained by the Property Section inconsistent with Section 42 of GAM Volume I; and 3) non-disposal of unserviceable properties amounting to ₱10,508,985.00 contrary to Section 79 of PD 1445. *(Observation No. 3)*

   We recommended that Management a) instruct the Property Unit/Inventory Committee to properly accomplished the RPCPPE and have it duly approved by the Head of the Agency or his authorized representative; b) direct the Accounting and Property units to update PPELC and complete the PC, respectively, and reconcile PPE accounts; c) update on the status of 10 units Motorcycle (RUSI Brand) and submit justification on the non disposal of unserviceable properties; d) take immediate action on the disposal of unserviceable properties in accordance with PD 1445 to avoid further deterioration and generate additional income; and e) submit the IIRUP to Accounting Division to derecognize the unserviceable properties from the book of accounts.

4. The Salaries and Wages-Regular account is unreliable due to the absence of Daily Time Records (DTRs) or its equivalent for which attendance of 248 OSG Lawyers and four Directors are recorded, resulting in over payment of salaries. This practice is contrary to Rule XVII on Government Office Hours of the Omnibus Rules Implementing Book V of Executive Order No. 292, CSC Memorandum Circular No. 21 and Memorandum Circular No. 3 of the Office of the President dated August 15, 2016. *(Observation No. 6)*

   We recommended that Management a) ensure regular monitoring of attendance of employees; b) enforce the submission of Monthly Report of Attendance, DTRs or its equivalent for all OSG lawyers, directors and employees; c) require the immediate refund of ₱351,855.19 representing overpaid salaries of SSS Rodolfo Geronimo Pineda from October 28, 2015 to January 31, 2016; and (d) strictly comply to the above mentioned

policies, rules and regulations on government working hours for government officials and employees.

F. Other Observations and Recommendations

1. The initial payment of ₱1,830,347.65 for the construction (replication) of PA K-9 project maybe put to waste since the project remained incomplete from the time of its inception in CY 2011 and with a completion period of 135 days. *(Observation No. 4)*

   We recommended that Management to (a) explain why the project remains uncompleted; and (b) submit status reports on the K9 facility project and the Deed of Conveyance entered into and executed by and between BCDA and OSG including actions taken by management to enforce its rights over the property.

2. Cash Advances were granted to officials and employees not designated as Disbursing Officers nor covered with appropriate bond contrary to Sections 4.1.5 and 4.2.2 of COA Circular No. 97-002 and COA Circular No. 2006-005 dated July 13, 2006 amending item 7.1 of COA Circular No. 97-002 dated February 10, 1997, posing risks of misapplication/mishandling of funds. *(Observation No. 5)*

   We recommended that Management a) observe proper designation of disbursing officers and bonding of accountable officers; b) refrain from granting cash advance to officials without the authority from the Head of the Agency and without the appropriate bond; and c) strictly follow the rules and regulations on granting, utilization and liquidation of cash advance.

3. The honoraria/allowances paid to some OSG officials for legal services and advices rendered to client agencies had exceeded the 50 percent of the annual basic salary with excess totaling ₱8,555,767.80 in violation of Item 4 of COA Circular No. 85-25-E dated April 25 1985. Likewise, the directive of OSG Office Order No. D-188 series of 2009 dated September 9, 2009 requiring OSG lawyers to report to the Financial Management Service (FMS), OSG, the said honoraria/allowances directly received from client agencies were not faithfully adhered to; thus, the benefits received were not properly monitored for taxation purposes. *(Observation No. 7)*

We recommended that management a) refund the excess amount received and deposit the same to OSGs Trust Fund; b) limit the receipt of allowances to not more than 50 percent of their annual salary until such time that a decision on the ND be resolved, become final and executory; c) instruct the concerned personnel of the FMS to process claims for allowances up to 50 percent only of their annual salary; and d) require all handling lawyers to strictly comply with OSG Office Order No. 188 series of 2009 requiring the Task Force Team Leaders to report all honoraria directly received from client agencies together with the appropriate BIR form evidencing withholding of taxes to FMS OSG.

4. The Central Bank Board of Liquidators (CB-BOL) did not comply with the provisions stipulated in the Memorandum of Agreement (MOA) as to the allowable rates of allowances/honoraria the OSG lawyers are entitled thereto; and inability of OSG management to properly monitor payment of the same, resulting in overpayment amounting to ₱647,887.50. *(Observation No. 8)*

   We recommended that Management to (a) carefully review the MOA with CB-BOL and request the latter to submit data and information on the computation of the allowances paid; (b) instruct the handling lawyers to remit the overpayment of ₱647,887.50 to OSG's trust fund; and (c) comply with the provisions stipulated in the MOA.

5. The agency failed to comply with the guidelines set forth under PCW-NEDA-DBM Joint Circular No. 2012-01 such as a) the review and submission of their PCW endorsed GPB to Department of Budget and Management (DBM) along with their Annual GAD Accomplishment Report (AR); b) submission of the Annual Gad Plan and Budget (GPB) to COA Audit Team within the prescribed period contrary to Section 5 of COA Circular No. 2014-001 dated March 18, 2014. Moreover, the agency spent ₱174,410,746.30 for their GAD activities, exceeding by ₱144,365,196.30 or 21 percent higher than the allowable budget of ₱30,045,550.00. *(Observation No. 9)*

   We recommended that Management direct the GAD Focal person to a) strictly comply with the provisions of the rules and regulations governing GAD; b) ensure that GAD plan and budget is duly approved by the PCW prior to its implementation, and the programs and activities that will promote gender responsiveness in governance and fulfilment of women's rights, empowerment and gender equality to achieve the GAD objective;

and c) submit the GPB and AR to the COA Team within the period prescribed for verification.

6. The Office of the Solicitor General (OSG) implemented plans, programs and projects related to Senior Citizens and Persons with Disability in compliance with Section 36 of the General Appropriations Act of 2016 or otherwise known as RA No. 10717. However, it only allocated ₱378,555.61 or .06 percent from the agency's budget of ₱600,911,000.00, which is below the required one percent of the agency's budget in violation to Joint Circular No. 2003-01 dated April 28, 2003. *(Observation No. 10)*

   We recommended that Management require the Focal Person of the OSG Committee on Senior Citizens and Differently-Abled to a) include in the accomplishment report the approved budget allotted for the senior citizens and number of senior citizens and differently-abled persons benefitted from the activities; (b)have the accomplishment report approved by the Head of the Agency or its authorized representative; and (c) provide and allocate the one percent required budget thereto.

   The foregoing findings and recommendations contained in the report were discussed with the concerned officials of the agency in the Exit Conference held on March 27, 2017. Management views and reactions were considered in the report, where appropriate.

G. Status of Implementation of Prior Years' Audit Recommendations

Out of the 25 audit recommendations contained in CY 2015 Annual Audit Report, nine were fully implemented, 14 were partially implemented and two remained unimplemented. The results of validation of the actions taken in prior years' recommendations are presented in Part III of this report.