

EXECUTIVE SUMMARY

A. Introduction

The Southern Philippines Development Authority (SPDA) is a government-owned and controlled corporation created pursuant to Presidential Decree No. 690 issued on April 22, 1975, as amended by Presidential Decree No. 1703 issued on July 26, 1980. SPDA is mandated to pursue development concerns in order to promote the development of Southern Philippines by:

- a) Initiating and/or undertaking by itself or otherwise development and/or business projects of corporate and economic nature, whether in agriculture, power, infrastructure, energy, public utilities, land development, manufacturing, exploration and/or utilization of natural resources and other field or projects; and
- b) Making investments in any field that will enhance the economic development in the region.

In addition, SPDA is vested with enormous powers that include the following:

- a. To exercise the power of a corporation;
- b. To acquire, lease or hold personal and real properties;
- c. To engage or invest or extend loans and guarantees or to enter into joint ventures with Filipino and foreign investors;
- d. To exercise the right of eminent domain; and
- e. To contract indebtedness and issue bonds.

The Southern Philippines Development Authority was deactivated through the issuance of Executive Order No. 149 on November 18, 2002. On August 22, 2006, Executive Order No. 560 was issued reactivating the Southern Philippines Development Authority. SPDA has been tasked to be the implementing arm for the Economic Catch-Up Plan for the Moro National Liberation Front (MNLF) to address the economic gaps in the 1996 GRP-MNLF Peace Agreement, as mandated under Section 3 of Executive Order No. 560.

The affairs and business of the agency are directed and its properties managed and preserved by a Board of Directors (Annex A), namely:

1.	Hon. Saeed A. Daof	Chairman
2.	Sultan Yahya Jerry M. Tomawis	Administrator/Chief Executive Officer & Vice-Chairman
4.	Hon. Hadja Bainon G. Karon	Director
4.	Hon. Evelyn T. Uy	Ex-Officio Member, Chairperson, RDC IX
5.	Hon. Lawrence LL. Cruz	Ex-Officio Member, Chairman, RDC X
6.	Hon. Sara Z. Duterte	Ex-Officio Member, Chairperson, RDC XI
7.	Hon. Darlene Magnolia R. Antonino	Ex-Officio Member, Chairperson, RDC XII
8.	Hon. Sol F. Matugas	Ex-Officio Member, Chairperson, RDC XIII

The policies of the Board are implemented by the following key officials;

Administrator/CEO	: Sultan Yahya Jerry M. Tomawis
Acting Deputy Administrator/ Officer-in-Charge	: Paharodin Pangcoga
Legal Division	: Datu Reza C. Sinsuat
Department Managers	:
Corporate Affairs	: Datu Mama S. Sinsuat, Jr.
Finance/Administrative	: Mohamad H. Gampong

B. Financial Highlights

B.1. Balance Sheet

The assets, liabilities and government equity of SPDA are shown below:

Particulars	2012	2011	Inc / (Dec)
Assets	Php131,618,958.78	Php163,107,692.27	(31,488,733.49)
Liabilities	19,224,424.14	21,531,959.22	(2,307,535.08)
Equity	112,394,534.64	141,575,733.05	(29,181,198.41)

B.2. Sources and Application of Funds

Particulars	2012	2011	Inc / (Dec)
<i>Total Cash Inflows</i>	34,233,075.97	66,903,724.86	(32,670,648.89)
<i>Total Cash Outflows</i>	40,969,251.88	58,968,111.70	(17,998,859.82)
<i>Total Cash Provided by Operating & Investing Activities</i>	(6,736,175.91)	7,935,613.16	14,671,789.07

C. Operational Highlights

The agency's major corporate and socio-economic programs and projects for CY 2012 were conceptualized along with President Aquino's 16 Point Social Contract with the People, the Medium Term Philippine Development Plan 2011-2016 and the Millennium Development Goals taking into consideration the positive economic, environmental and social impact such as: generation of more employment opportunities; environmental protection; increased economic activities; and provision of basic needs and the public-private sector partnership.

Corporate Priorities/Programs for CY 2012 are as follows:

A. For the On-Going/Continuing Projects/Activities –

1. The SPDA Koronadal Business Center in Koronadal City, South Cotabato

The 18-unit apartelle and social hall/function area cum restaurants/dining areas will commence operations in CY 2012. SPDA shall continue the implementation of the development plan as originally conceptualized to establish a one stop shop commercial center. In the pipeline are the construction of the commercial building II and on-site support facilities (landscaping, lightings, drainage, parking areas, water systems, electrical support, pavements).

2. The 8.2-hectare salt ponds in Alubijid, Misamis Oriental shall be operated with target gross revenue of P3.105Million and net income of P1.735 Million for the year.

3. Continue the operation of the Pikit Ice Plant in Pikit, North Cotabato under a contract with the ITM Enterprises; and,
4. Continue existing hotel operation, upgrading and construction of new structures and facilities at the Marawi Resort Hotel in Marawi City, Lanao del Sur which was programmed in CY 2011 to 2012. Further, management shall enhance coordination with tourism and cultural groups to market the hotel as a venue for events.

B. For new programs/projects –

1. Program development of the 23,000-hectare property in Wao and Bumbaran Municipalities in Lanao del Sur into an agro-industrial complex shall be pursued. SPDA shall continue negotiations for business partnership for the development of the property for agricultural production and processing.

This is intended to support the food security and job employment generation agenda of the National Government through the proposed development of an agro-industrial complex/area. The Delineation and Parcellary Survey and Resources Profiling and Inventory of the property have been completed. During the latter part of 2012, the Agency shall start to work out for the issuance of a special patent on this property with the Autonomous Region of Muslim Mindanao (ARMM) and the Department of Environment and Natural Resources (DENR) on the basis of Presidential Proclamation 2046 which placed the property under the disposition of SPDA.

C. For physical assets recovery/sale/utilization for revenue generation – continue asset conversion into cash and maximize utilization of existing assets

Accomplishments as of December 31, 2012 are as follows:

1. Vitali Fishpond Estate, Vitali, Zamboanga City
 - Total production of 5,934.9 kgs of bangus

After seeding for the second cropping, floods left a trail of destruction and Vitali was considered the hardest hit village wherein water level was up to three (3) meters deep. All stocks in the rearing ponds were flushed out at the height of the flood.
2. Integrated Solar Salt and Fish Farm Project, Alubijid, Misamis Oriental
 - Total production of 665 sacks of salt with SPDA sharing 70% or 465 sacks

Negative variance in the production of salt is attributed to the unpredictable weather condition in the area and the climate change.

3. Pikit Ice Plant, Pikit, North Cotabato
 - Collected P187,500.00 guaranteed income
4. Koronadal Business Center
 - Generated gross revenue of P1.5Million
5. Bonbon Agricultural Agricultural Development Project, Bonbon, Butuan City
 - Generated revenue of P109,655.40 from production sharing
6. Socialized Housing
 - Collected P2Million from socialized housing projects

D. Scope of Audit

We conducted a financial audit on the accounts, transactions and operations of the SPDA, Davao City for calendar year ended December 31, 2012, in accordance with generally accepted state auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement/s. Our audit also included examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. It also included assessing the accounting principles used and significant estimates made by the Auditee, as well as evaluating the overall financial statement presentation.

E. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of financial position of SPDA, Davao City, as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

F. Observations and Recommendations

The following are the audit observations and corresponding recommendations, which were discussed with management officials concerned during the exit conference

conducted on February 21, 2013, details of which were discussed in the report. Management's views and comments were incorporated in the report, where appropriate.

- Unliquidated Cash Advances of P3,452,927.27

Advances to Officers and Employees remained unliquidated contrary to COA Circular No. 97-002, resulting in the accumulation of huge outstanding cash advances totaling P3,446,545.83 thereby, overstating Advances to Officers and Employees account and correspondingly understating expenses and Prior Period Adjustment accounts at year-end.

We recommended that management:

- a. Strictly enforce the regulations on the grant, utilization and liquidation of the cash advances within the prescribed period pursuant to COA Circular No. 97-002, with a warning that the failure of an Accountable Officer to render an account in full within the periods prescribed and after formal demand shall constitute administrative offense of Gross Neglect of Duty punishable under Civil Service Commission MC No. 12, s. 2012.

MC Circular No. 12, Series of 2012 provides amendment to Rule V-of CSC Resolution No. 04-0676 dated June 17, 2004 (Policy Guidelines to Govern the Liquidation of Cash Advances and the Penalty to be Imposed for Failure of an Accountable Officer to Liquidate within the Prescribed Period).

- b. Cause the immediate liquidation and settlement of all cash advances outstanding as of December 31, 2011. COA Circular No. 2012-004, dated November 28, 2012, demands the immediate liquidation and settlement of all cash advances outstanding as of December 31, 2011. Section 9 thereof provides that the failure of an accountable officer to liquidate his outstanding cash advance on or before January 31, 2013 shall constitute cause for the filing of malversation charge under Article 217, failure to liquidate cash advance under Article 218, both of the Revised Penal Code or criminal prosecution under Section 128 of P.D. No. 1445 (Section 9.1).
- c. Instruct the Accountant to strictly monitor the liquidation of cash advances. Send demand letters and enforce settlement of unliquidated cash advances by withholding the salaries of concerned employees until they have submitted the required liquidation reports and supporting documents as provided under Sections 9.3.1 and 9.3.2 of COA Circular No. 2007-002.

- d. Study the possibility if COA Circular No. 97-001 dated February 5, 1997 may be applied to dormant accounts which remained non-moving for more than five years.

- Land Account

The ownership, valuation and accuracy of Land account stated at P9,527,442.09 could not be completely substantiated since parcels of land amounting to P3,798,803.00 were not yet titled, thus absolute ownership over the properties cannot be established.

We recommended that Management vigorously pursue the titling of lands in order to establish absolute ownership and avoid the risks of eventually losing the property. Review and evaluate documents in their possession to determine whether the recording is valid and proper. Require the Accountant to make adjusting entries to correct balance of Land account, if warranted. We also recommended that management furnished COA Office photocopies of pertinent documents for properties without TCTs.

- Gender and Development (GAD)

For CY 2012, Southern Philippines Development Authority actively participated in implementing and promoting GAD program of the government by undertaking the following activities:

- Continued the credit facility established in CY 2011
- Observance of the Women's Day Celebration
- Participation in the tree planting program sponsored by the Department of Environment and Natural Resources

- Compliance to tax laws

Total taxes withheld and remitted during the year was P 3,322,248.24 and P2,866,745.44, respectively. The balance of P455,502.80 will be remitted in the ensuing year.

Management was reminded that all taxes deducted and withheld be fully remitted to the Bureau of Internal Revenue (BIR) within the prescribed period to avoid payment of fines/penalties which are personal liabilities of responsible officers.

- Status of Audit Suspensions, Disallowances and Charges

The unsettled audit suspensions, disallowances and charges as of December 31, 2012 are as follows:

Notice of Suspensions			-
Notice of Disallowance	P	3,407,825.15	
Notice of Charges			
Total	P	3,407,825.15	

G. Status of Implementation of Prior Years' Audit Recommendations

Of the ten (10) prior years' audit recommendations, five (5) were implemented, three (3) were partially implemented and two (2) were not implemented.