

EXECUTIVE SUMMARY

Introduction

The Partido Development Administration (PDA) was created on November 14, 1994 by virtue of Republic Act No. 7820, otherwise known as the “Partido Development Administration Act of 1994”. RA 8989 was enacted on December 31, 2000 to streamline its organization and amend certain provisions.

The PDA has jurisdiction over ten (10) municipalities of the Fourth Congressional District of Camarines Sur or also known as “Partido District”. It is under the supervision and direction of the Board of Directors, whose members are the ten (10) incumbent municipal mayors, the incumbent Congressman, the Administrator and ten (10) Private Sector Representatives (PSR) from each of the member-municipalities selected from among duly organized non-government organizations (NGOs) and sectoral associations.

PDA is mandated to make a comprehensive survey of physical and natural resources of the district; prepare, undertake and implement a comprehensive and integrated development program for the district; pass over all plans, programs, and projects; make recommendations to proper agencies on technical support, physical assistance and generally, the level of priority to be accorded; encourage investments in the district; help promote the economic zones and/or industrial estates in the district; establish, operate and/or contract to operate such agencies, functional units and instrumentalities; adopt a corporate seal; enter into contracts; alienate properties; to sue and to be sued; engage in agriculture, industry, commerce or other activities within the district; receive grants for its capitalization and operation; and exercise other functions necessary to attain the purpose for which it was created.

Financial Highlights

PDA’s assets, liabilities and equity stood at ₱514,533,941.23, ₱1,164,032,907.60 and ₱(649,498,966.37), respectively, as of December 31, 2011. It sustained a net loss of ₱24,047,377.88 from its operations in 2011.

Sources of corporate funds as proposed by the administration and approved by DBM amounted to ₱102,566,294.00. Actual income generated totaled to ₱66,287,639.71 and the corporation received financial assistance from National Government amounting to ₱4,750,000.00. On the other hand, DBM approved expenditures totaled to ₱60,214,607.00, of which the amount of ₱58,953,035.64 was actually incurred.

Scope of Audit:

The audit covered the examination, on atest basis, of the accounts and financial transactions of the PDA for CY 2011 in accordance with Philippine Standards on Auditing. Our audit was also made to assess the propriety of financial transactions and the Administration’s compliance with laws, rules and regulations.

Independent Auditor's Report

We rendered a qualified opinion on the fairness of the presentation of the financial statements due to the failure of the Corporation to submit the report on the physical count of Property, Plant and Equipment valued ₱468,338,385.58 which is 91% of the total assets, thereby casting doubt on its validity and physical existence; and the substantial discrepancy noted between the balance of the Administration's Due to National Treasury Account (411) as against the Bureau of the Treasury's balance of the reciprocal Due from GOCCs account (137) amounting to ₱84,554,034.25, renders the accuracy of the Administration's liability account as of December 31, 2011 as unreliable.

Further, receipt of financial assistance from National Economic and Development Authority (NEDA) in the amount of ₱4,750,000.00 was erroneously recorded as Due to other GOCCs account instead of Subsidy from Other NGAs account, resulting to overstatement/understatement of payable and income accounts.

Summary of Significant Audit Observations and Recommendations

1. The prescribed period of settlement on cash advances particularly for travel purposes and maintenance and other operating expenses (MOOE), was not strictly enforced by management, contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997 resulting to unliquidated balances totaling ₱116,744.08 at year-end.

We are reiterating our previous recommendations that the Accountant should ensure that Sections 4.1.2, 4.1.3 and 5.1 prescribed in COA Circular No. 97-002 which pertain to the grant and liquidation of cash advance be strictly enforced. As the internal auditor of the Management in charge of the review of propriety of any transaction of her agency, she is reminded not to allow any cash advance of any official/employee without first ensuring that all previous cash advances of such official/employee has already been liquidated and settled.

2. The accuracy of the Cash-Collecting Officer account amounting to ₱1,305,594.27 could not be ascertained due to non-reconciliation of subsidiary ledger with general ledger as required under Sections 73 and 12 of Manual on New Government Accounting System (NGAS).

We recommended that Management a) Trace the difference immediately and prepare the necessary adjusting entries; b) Require the Accountant and Collecting officer to reconcile their records regularly to ensure the accuracy of the Cash-Collecting Officer account; and c) Require the cashier to record the amount of ₱108,806.37 representing collections for the period October 28 to 30, 2009 from Lagonoy collection center in the Cash Receipts and Deposit Record.

3. Inadequacy of disclosures in the Notes to Financial Statements was noted inconsistent with Manual on the New Government Accounting System (NGAS), thereby affecting the proper interpretation of the financial statements and the fairness of its presentation.

We recommended that the Accountant include in the Notes to Financial Statements all relevant information enumerated above. The economic substance of the accounts as shown in the Financial Statements should be completely and appropriately disclosed for proper interpretation and to provide adequate information.

4. The Accountant failed to submit disbursement vouchers and documents to the Office of the Auditor regularly, in violation of the provisions of paragraph 6.06 of COA Circular No. 95-006 and Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009, thus limiting the audit and examination of accounts and casting doubts on the legality and accuracy of these transactions.

We recommended that the Administrator require the Accountant, Cashier, and Disbursing Officer and all others who have a direct hand in the processing, approval, and payment of transactions to strictly comply with the rules and regulation on the submission of paid disbursement vouchers including their supporting documents to the Auditor as required under COA Circular Nos. 95-006 and 2009-006.

5. The actual existence and/or condition, validity and correctness of the recorded cost of Property, Plant and Equipment (PPE) valued in the books at ₱468,338,385.58 as of December 31, 2011 cannot be determined due to the failure by the Corporation to conduct physical count of all its properties and prepare report thereon as required under pertinent provisions of Manual on NGAS.

We recommended that Management 1) Create an Inventory Committee to conduct physical count, and an Appraisal Committee to assess the valuation of the existing PPE which cannot be traced and reconciled to existing records, in accordance with pertinent rules and regulations; 2) Regular reconciliation of property records should be undertaken to ensure that all discrepancies are immediately investigated, cleared and reconciled with the books of accounts; 3) Prepare a corresponding report thereof to establish the validity of the balances appearing in the financial statements and to facilitate the reconciliation with the General Ledger balances. This would also serve as basis for possible dropping of inexistent properties in the books of accounts; and 4) Ensure that duly reconciled and certified yearly inventory reports shall be submitted to the Auditor not later than 31 January of the succeeding year.

6. Substantial discrepancy noted between the balance of the Administration's Due to National Treasury Account (411) as against the Bureau of the Treasury's balance of the reciprocal Due from GOCCs account (137) amounting to ₱84,554,034.25, renders the accuracy of the Administration's liability account as of December 31, 2011 as unreliable.

We recommended that management promptly conduct reconciliation of the account with the Bureau of the Treasury to remedy the substantial discrepancy noted. Prepare the JEV to take up any adjustments or reconciling items to arrive at the correct balance of the account. Thereafter, conduct regular reconciliation of the accounts involved to avoid accumulation of reconciling items.

7. Receipt of financial assistance from National Economic and Development Authority (NEDA) in the amount of ₱4,750,000.00 was erroneously recorded as Due to other GOCCs account instead of Subsidy from Other NGAs account, resulting to overstatement/understatement of payable and income accounts.

We recommended that the Accountant make the necessary correcting entries so that the affected accounts are fairly presented in the financial statements.

8. Due to limited capital and continuous losses in its operations, the deficit of Partido Development Administration had accumulated to ₱697.5 million as of December 31, 2011, thereby posing serious concern to the corporation's viability.

We recommended that Management revisit its operational strategies to correct the declining cash position of the agency. Adopt cost-cutting measures while working out for strategies to enhance the revenue generation.

9. PDA's total expenses exceeded the total approved Corporate Operating Budget (COB) for CY 2011 by ₱2,506,443.82 or 5.07% for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE), contrary to Section 4(1) of PD 1445, thus incurring expenditures outside its statutory authority.

We recommended that Management incur expenditures within the limits of the Corporate Operating Budget (COB) as approved by the Department of Budget and Management. Any Increase in the approved COB in the course of the budget year shall require the submission and approval of a supplemental COB to cover the additional corporate expenditures.

10. The Corporation had remitted a total of only ₱300,00.00 to the Bureau of Treasury for the assessed cost of audit services for CY 2011 and prior years, failed again to set the total unremitted balance of ₱2,914,554.00 as payables and appropriated in the Corporate Operating Budget (COB) contrary to Section 2 of EO No. 271 and COA-DBM Joint Circular No. 88-1, thus understating the Due to NGAs account of same amount as of December 31, 2011.

We recommended that Management comply with Sections 4.2 and 4.5 of COA-DBM Joint Circular No. 88-01 and Section 2 of EO No. 271 which require that government corporations include in their COB the cost of audit services assessed by COA. Set up accrual of audit fees from CY 2011 and previous years and the years thereafter and regularly remit the same to the Bureau of the Treasury.

11. The necessity of consultancy services was not carefully considered and the proper procedures were not adopted in engaging the services of eleven (11) consultants whose duties/functions were not highly technical and/or mere duplications of functions performed by regular employees contrary to RA 9184 and its IRR, resulting to additional expenses of ₱1,204,000.00

We recommended that management comply with the provisions of RA 9184 particularly on the hiring of consultants. Discontinue the services of the consultants whose duties are mere duplication of those performed by regular employees and which do not meet the requirements set forth. Engage the legal services of lawyers with prior written conformity and acquiescence of the Office of the Government Corporate Counsel (OGCC) as well as the written concurrence of the COA in compliance with COA Circular No. 95-011.

12. Contrary to Budget Circular Nos. 2004-5A and 2007-3, the Corporation paid honoraria to members of Bids and Awards Committee (BAC) totaling ₱170,500.00 disproportionately with the total funds/collections of ₱72,560.00 from procurement activities as of year-end, resulting to excess payments amounting to ₱97,940.00.

We recommended that the Management strictly adhere to the pertinent provisions of Budget Circular Nos. 2004-5A and 2007-3, to avoid excessive disbursements on honoraria of BAC members and possible audit disallowances. Refund the excess payments of honoraria and those personnel not entitled for CY 2011.

13. The Corporation had again procured goods and services including equipment and furniture and fixtures totaling ₱396,493.65 through reimbursement basis contrary to COA Circular No. 97-002, Section 93 of PD 1445 and RA 9184.

We reiterated our audit recommendations that Management stop/refrain from procuring goods and services thru reimbursement basis. Purchases should be made directly to the supplier/creditor following the proper procurement rules and regulations in accordance with the provisions of RA 9184. Charge the corresponding taxes due, against the claims of officer/employee making the reimbursement in order to discourage such practice.

14. Withholding taxes on compensation and government money payments totaling ₱556,257.83 remained unremitted for years and/or were not remitted within the period prescribed under BIR Revenue Regulation (RR) No. 2-98, as amended, and Revenue Memorandum Circular No. 5-2006, thus depriving the national government of the immediate use of said funds.

We recommended that management cause the immediate remittance of all tax dues withheld including that of prior years to the BIR. Make necessary adjustments on records for those items that need corrections should be undertaken. The concerned officials including the head of agency should see to it that all taxes withheld should be remitted within the prescribed period in accordance with existing regulations in order not to deprive the government for its immediate use.

Status of Implementation by the Agency of Prior Years' Audit Recommendations

Out of the twelve (12) audit recommendations embodied in the 2010 AAR, two (2) were fully implemented, six (6) were partially implemented and four (4) were not implemented.