

EXECUTIVE SUMMARY

A. Introduction

The Department of Health (DOH) is mandated to be the over-all technical authority on health. The major mandate of DOH is to provide national policy direction and develop national plans, technical standards and guidelines on health. It is also a regulator of all health services and products; and provider of special or tertiary health care services and of technical assistance to other health providers especially to Local Government Units (LGU).

With other health providers and stakeholders, the DOH shall pursue and assure the following:

- ✚ Promotion of the health and well-being for every Filipino;
- ✚ Prevention and control of diseases among population at risk;
- ✚ Protection of individuals, families and communities exposed to health hazards and risks; and
- ✚ Treatment, management and rehabilitation of individuals affected by diseases and disability.

Essentially, the DOH has three specific roles in the health sector: leadership in health, enabler and capacity builder and administrator of specific services namely, national and sub-national health facilities and hospitals serving as referral centers, direct services for emergent health concerns requiring complicated technologies and assessed as critical for public welfare and health emergency response services, referral and networking systems for trauma, injuries, catastrophic events, epidemics and other widespread public danger.

To accomplish its mandate and roles, the Department has the following power and functions based on Executive Order 102:

- ✚ Formulate national policies and standards for health;
- ✚ Prevent and control leading causes of death and disability;
- ✚ Develop disease surveillance and health information systems;
- ✚ Maintain national health facilities and hospitals with modern and advanced capabilities to support local services;
- ✚ Promote health and well-being through public information and to provide the public with timely and relevant on health risks and hazards;
- ✚ Develop and implement strategies to achieve appropriate expenditure patterns in health as recommended by international agencies;
- ✚ Develop sub-national centers and facilities for health promotion, disease control and prevention, standards, regulations and technical assistance;
- ✚ Promote and maintain international linkages for technical collaboration;
- ✚ Create the environment for the development of a health industrial complex;
- ✚ Assume leadership in health in times of emergencies, calamities, and disasters and system failures;

- ✦ Ensure quality of training and health human resource development at all levels of the health care system;
- ✦ Oversee financing of the health sector and ensure equity and accessibility to health services; and
- ✦ Articulate the national health research agenda and ensure the provision of sufficient resources and logistics to attain excellence in evidenced-based intervention for health.

Together with its attached agencies, the DOH with seven Functional Management Teams in the Central Office, Centers for Health Development (CHD) in every region, DOH-Hospitals and Treatment for Rehabilitation Centers (TRCs) performs its roles to continuously improve the country's health care system and to implement the FOURmula One Plus for Health (F1+for Health) Strategic Framework.

To perform these functions are the various central bureaus and services in the Central Office, Center for Health Development (CHD) in 16 regions, 65 hospitals, one (1) laboratory facility and 18 Treatment and Rehabilitation Centers (TRCs), two (2) two bureaus, namely Food and Drug Administration (FDA) and Bureau of Quarantine (BOQ). (Annexes A).

The DOH has the following attached agencies: one national government agency, the National Nutrition Council (NNC); two government corporations, namely: Philippine Health Insurance Corporation (PHIC) and Philippine Institute of Traditional and Alternative Health Care (PITAHC); and four specialty hospitals, namely Lung Center of the Philippines (LCP), National Kidney and Transplant Institute (NKTi), Philippine Children's Medical Center (PCMC) and Philippine Heart Center (PHC).

The PHIC, as an attached agency, is implementing the National Health Insurance Law and administers the medical care program for both public and private sectors. It has provincial health teams made up of DOH representatives to local health boards and technical personnel for communicable disease control.

The Centers for Health Development (CHDs) are responsible for the field operations of the Department in each region and for providing catchment areas with efficient and effective medical services. They are, likewise, tasked to coordinate with regional offices of the other Departments, offices and agencies for health-related concerns, as well as with the LGUs, the DOH partners, in the implementation of various public health programs.

On the other hand, the DOH hospitals provide hospital-based medical care, specialized or general services, some conduct research on clinical priorities and some are training hospitals for medical specialization. In 2003, the DOH hospitals were provided fiscal autonomy, allowing 100 percent retention and use of hospitals' income to improve health facilities.

The DOH is headed by Secretary Francisco T. Duque III, who leads the nationwide implementation of the F1+for Health and exercises overall supervision and control over

the Teams. He is assisted by seven (7) Functional Management Teams for the implementation of the F1+for Health Strategic Framework, headed by either an Undersecretary of Health or Assistant Secretary or both:

1. Office of the Chief of Staff (OCS) and Health Regulation Team (HRT)
2. Health Policy and Systems Development Team (HPSDT)
3. Public Health Services Team (PHST)
4. Health Facilities and Infrastructure Development Team (HFIDT)
5. Field Implementation and Coordination Team (FICT)
6. Procurement and Supply Chain Management Team (PSMT)
7. Administration and Financial Management Team (AFMT)

B. Financial Highlights

The Agency's financial condition, results of operations and sources and application of funds for CY 2020 compared with that of the preceding year are as follows:

Financial Condition

Group of Accounts	Amounts (in Thousand Pesos)		
	2020	2019 Restated	Increase/(Decrease)
Assets	262,902,652	179,649,533	83,253,119
Liabilities	25,822,822	23,201,507	2,621,315
Net Assets/Equity	237,079,830	156,448,026	80,631,804

Results of Operation

Group of Accounts	Amounts (in Thousand Pesos)		
	2020	2019 Restated	Increase/(Decrease)
Revenue	19,960,964	21,324,573	(1,363,609)
Expenses	104,968,315	83,995,149	20,973,167
Net Financial Subsidy	163,841,632	81,741,028	82,100,604
Gains	13,867	26,541	(12,674)
Losses	35,383	81,953	(46,571)
Surplus/(Deficit)	78,812,764	19,015,039	59,797,725

Sources and application of funds

Particulars	Amounts (in Thousand Pesos)		
	2020	2019	Increase/(Decrease)
A. Appropriation	205,620,786	114,829,684	90,791,102
New Appropriation	100,298,232	97,653,633	2,644,599
Automatic Appropriations	2,481,032	4,409,868	- 1,928,836
Special Purpose Fund	72,392,069	5,168,519	67,223,550
Sub-total	175,171,333	107,232,020	67,939,313

Particulars	Amounts (in Thousand Pesos)		
	2020	2019	Increase/(Decrease)
Specific Budget - Continuing Appropriation (CONAP)	15,371,631	6,852,813	8,518,818
Automatic Appropriations (CONAP)	5,312	-	5,312
Special Purpose Fund - (CONAP)	15,072,509	744,851	14,327,658
Sub-total	30,449,453	7,597,664	22,851,789
B. Allotments	200,855,449	110,245,170	90,610,279
New Appropriation	98,804,603	93,146,794	5,657,809
Automatic Appropriations	2,401,612	4,382,372	- 1,980,760
Special Purpose Fund	72,392,069	5,168,519	67,223,550
Sub-total	173,598,284	102,697,685	70,900,599
Specific Budget - Continuing Appropriation (CONAP)	12,179,343	6,802,634	5,376,709
Automatic Appropriations (CONAP)	5,312	-	5,312
Special Purpose Fund - (CONAP)	15,072,509	744,851	14,327,658
Sub-total	27,257,164	7,547,485	19,709,679
C. Obligations Incurred	176,214,329	97,089,801	79,124,528
New Appropriation	86,771,604	82,875,509	3,896,095
Automatic Appropriations	2,130,717	3,920,844	- 1,790,127
Special Purpose Fund	64,523,610	4,961,979	59,561,631
Sub-total	153,425,931	91,758,332	61,667,599
Specific Budget - Continuing Appropriation (CONAP)	10,982,015	4,590,028	6,391,987
Automatic Appropriations (CONAP)	1,715	-	1,715
Special Purpose Fund - (CONAP)	11,804,668	741,441	11,063,227
Sub-total	22,788,398	5,331,469	17,456,929
D. Disbursements	141,718,479	71,592,078	70,126,401
New Appropriation	70,045,046	61,197,658	8,847,388
Automatic Appropriations	1,193,055	3,386,159	- 2,193,104
Special Purpose Fund	55,721,095	4,356,232	51,364,863
Sub-total	126,959,197	68,940,049	58,019,148
Specific Budget - Continuing Appropriation (CONAP)	6,556,082	2,165,399	4,390,683
Automatic Appropriations (CONAP)	1,653	-	1,653
Special Purpose Fund - (CONAP)	8,201,547	486,630	7,714,917
Sub-total	14,759,282	2,652,029	12,107,253
Unreleased Appropriation (A-B)	4,765,338	4,584,514	180,824
Unobligated Allotment (B-C)	24,641,120	13,155,369	11,485,751
Unpaid Obligation (C-D)	34,495,850	25,497,723	8,998,127

The DOH has a total appropriation approximately to ₱205.621 billion, pursuant to RA No. 11465 or the General Appropriations Act for FY 2020. While the total allotments received amounted to ₱200.855 billion. Of the total allotments received, approximately ₱176.214 billion was obligated and ₱141.718 billion was disbursed, leaving an unreleased appropriation, unobligated allotment and unpaid obligation amounting to ₱4.765 billion, ₱24.641 billion and ₱34.496 billion, respectively.

C. Scope of Audit

The consolidated audit report covers the audit of the accounts and operations of the DOH CO, 16 CHDs, 12 TRCs, 65 Hospitals, 1 laboratory facility and 2 Bureaus for the year ended December 31, 2020 or a total of 97 out of 103 DOH Offices. *Annex A-1* shows the list of DOH Offices not included in this report. The audit was conducted to: (a) verify the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency's improvement opportunities, (c) determine the propriety of transactions as well as the extent of compliance with pertinent laws, rules and regulations, and (d) determine the extent of implementation of prior year's audit recommendations.

The audit covered some of the identified audit thrust areas per Memoranda dated October 11, 2019 (General Audit Instructions for CY 2020 audit), October 21, 2019 (Specific Audit Instructions on the preparation of DOH CY 2020 Audits), July 27, 2020 (Supplemental General Audit Instructions for CY 2020 audit), and October 1, 2020 (Supplemental Specific Audit Instructions for CY 2019 Audits); in addition to the areas observed in the course of our risk-assessment during the year.

D. Independent Auditor's Report

An adverse opinion was rendered on the financial statements of the DOH as of December 31, 2020 due to the total misstatements in Asset accounts amounted to ₱70,894,401,298.55 which represents 26.97% of the total assets, while the Liabilities and Net Assets/Equity accounts were misstated by ₱944,035,967.72 or 3.66% and ₱70,171,552,317.53 or 29.60%, respectively. Moreover, accounting deficiencies were noted in Cash, Receivables, Inventory and PPE accounts totaling ₱95,140,718,253.12 representing 36.19% of the total assets, in Liability accounts of ₱3,229,902,013.08 or 12.51% of total liabilities and ₱33,388,737,795.50 or 14.08% of total equity.

E. Summary of Significant Observations and Recommendations

The observations and recommendations, discussed in detail in *Part II* of the report, the most significant of which are shown below:

1. Various deficiencies involving some ₱ 67,323,186,570.57 worth of public funds and intended for national efforts of combatting the unprecedented scale of the COVID-19 crisis were noted. These deficiencies contributed to the challenges encountered and

missed opportunities by the DOH during the time of state of calamity/national emergency, and casted doubts on the regularity of related transactions.

We requested that the SOH implement the recommendations contained in the Consolidated Management Letter (CML) on the audit of COVID-19 Funds for the year ended December 31, 2020 and submit a status report on the actions taken on the audit recommendations stated therein.

2. Equipment in the aggregate amount of ₱1,225,260,566.29 procured under the HFEP were found to be either undelivered, unutilized, and/or without calibration and preventive maintenance, while several HFEP infrastructure projects with total value of ₱2,832,390,057.53 were either idle/unutilized or with substantial delay in implementation, thus, exposing these properties to the risks of deterioration, loss, lapse of warranty period and wastage of government funds, thus, depriving the public of the benefits they could have derived from the immediate and maximum use of said facilities and resulted to the non-attainment of the program objectives.

We recommended and the SOH agreed to:

- a. **require the HFEP Team to: (i) properly plan, assess and evaluate the equipment to be procured in terms of availability of space, facilities and immediate needs of the recipient hospitals to attain the maximum use of the HFEP equipment; (ii) immediately address the implementation challenges in various infrastructure projects and come up with detailed plan on how to address the problems encountered; and (iii) closely coordinate with the concerned OUs in planning, monitoring and supervision of HFEP projects;**
 - b. **instruct the heads of OUs to: (i) demand the suppliers to deliver the equipment immediately and in accordance with the terms and specifications so that these can be utilized by the intended beneficiaries; (ii) ensure readiness of the recipient facilities in receiving the equipment (i.e. enough power supply, availability of the space/location, availability and trainings of necessary personnel, and availability of turn-over documents) during the procurement and before implementation; and (iii) ensure that the suppliers regularly conduct calibration and preventive maintenance of the equipment; and**
 - c. **instruct both the HFEP Team and concerned OUs to facilitate the full operation of the newly-built infrastructures and ensure the immediate installation of needed equipment, electrical power, and all other needed utilities.**
3. Deficiencies were noted in the distribution of centrally-procured assets to various OUs in the total amount of ₱65,356,720.70 and which reflected deficient asset distribution system in the CO.

We recommended and the SOH agreed to:

- a. **require concerned offices to establish coordination among themselves to ensure that all the equipment and inventories are delivered immediately within a reasonable period of time to the intended recipients by closely monitoring the status of deliveries of supplies and equipment, facilitate the immediate distribution of the items not yet received by the recipients, submit explanation on the cause/s for the non- or late delivery thereof to the intended recipients, and execute MOAs, deeds of donation or other equivalent documents in the transfer of centrally-procured items to ensure clear terms regarding their utilization;**
 - b. **direct the concerned offices in the CO to provide the pertinent documents/records to the recipient facilities to establish property accountability and custodianship and as basis in recording in the recipient's books of accounts of transferred accountabilities by the CO, and require them to record said equipment immediately upon receipt of the equipment and documents;**
 - c. **instruct the Knowledge Management and Information Technology Service (KMITS) to issue policies and procedures to extend validation and monitoring of equipment up to the proper recording in the books of accounts, coordinate with the Accounting Division of the CO and forward the JEVs made by the latter to the end-users/recipients to ensure proper establishment of the property custodianship for equipment and computer software distributed by CO, and ensure that the actual needs of intended recipients or end-users are considered in the allocation list of computer software for distribution to avoid idleness and non-utilization;**
 - d. **direct concerned offices to submit an action plan as to specific courses of action that will be undertaken in order to avoid the deficiencies from recurring again, officials/employees responsible and specific timelines thereof; and**
 - e. **impose appropriate sanctions to officials/employees responsible for the deficiencies, in accordance with PD No. 1445, the Administrative Code and other applicable laws, rules and regulations.**
4. Drugs, medicines and other types of inventories with a total value of ₱95,675,058.98 were found to be nearly expired and/or have expired due to deficient procurement planning, poor distribution and monitoring systems, and identified weakness in internal controls. This recurring problem of the DOH has resulted to indiscriminate wastage of government funds and resources, and impedes the attainment of DOH's mission of leading the country in the development of a productive, resilient, equitable and people-centered health system.

We recommended and the SOH agreed: (a) take immediate action/concrete steps in resolving all issues associated with the recurring problem such as improvement

of procurement planning, strengthening of distribution and monitoring systems, and review of internal controls; and (b) direct the Legal Service and AFMT to conduct thorough investigations and impose appropriate sanctions on all erring officials and employees whose neglect caused wastage of government funds.

5. Considerable amounts of unobligated allotments totaling ₱24,641,119,764.42 as of December 31, 2020, aimed at strengthening the Department's capacity to ensuring access to basic public health services to all Filipinos and further buttressing the health care delivery system, were noted. This condition affects the efficient utilization of public funds vis-à-vis the agency's implementation capabilities and its response to the urgent healthcare needs during the time of state of calamity/national emergency.

We recommended and the SOH agreed to:

- a. facilitate the completion of PAPs within the periods provided under existing laws and regulations in order to fully utilize and improve the Department's spending rate in terms of disbursement of allotments received and avoid any adverse effect on future budget levels of the agency;**
- b. immediately address the perennial factors impeding project implementation through a written plan, such as bidding process and contractor selection and performance monitoring, improvements in preliminary and detailed engineering, project monitoring and evaluation system, conduct of early procurement activities as sanctioned by law and guidelines, more efficient system of downloading funds to the CHDs and other operating units, partnerships and coordination with the DOH on project/program implementation as well as organizational strengthening especially with respect to project management offices with the end view of rationalizing or standardizing their sizes either in terms of number, components or total costs of projects/programs handled; and**
- c. coordinate with the various operating units, procurement partners, and implementing agencies, in the form of written communications and series of meetings (with copies/minutes furnished to the COA Office), on the following matters: (i) possible reforms that will improve budget determination and programming; (ii) linkage between fiscal framework and budget preparation so that funds will be available for use by the operating units, procurement partners, and/or implementing agencies, and released on time; (iii) need to institutionalize monitoring of fund utilization and the use of information derived from DBM's system of annual agency budget review; and (iv) greater flexibility in the provision of technical assistance in project preparation/planning, design and management, installation of incentive system in project management offices for early or on schedule completion of projects and sanctions for delays if delays are caused by inefficiencies.**

6. The non-obligation of some ₱306,734,289.77 worth of public funds allotted for DRRM and during the state of calamity/national emergency in CY 2020 demonstrates that not enough programs and projects were implemented in order to mitigate related risks and alleviate the people's condition faster to recovery.

We recommended and the SOH agreed to: (a) facilitate the completion of PAPs within the periods provided under RA No. 11520, Section 3.4 of DBM National Budget Circular (NBC) No. 585 and related laws and regulations in order to fully utilize and improve the DOH's spending rate in terms of disbursement of allotments received and avoid any adverse effect on future budget levels of the agency; (b) immediately address the perennial factors impeding project implementation through a written plan; (c) coordinate with the various operating units, procurement partners, and implementing agencies, in the form of written communications and series of meetings (with copies/minutes furnished to the COA Office), on the downloading of funds, PAPs implementation and preparation/submission of the FURs and other required reports; and (d) direct the HEMB to monitor the movement and balances of the DRRM commodities and current allotment, obligation and disbursements which may be used in making informed decisions for the formulation of reasonable WFP and PPMP.

7. The utilization of at least 25 percent allocated hospital income of four OUs totaling ₱169,578,991.42 for the procurement of equipment and upgrading of hospital facilities had not been fully maximized, with only 37.43 percent or ₱63,467,670.77 utilized, while one OU had allocated only ₱4,102,375.65 or 3.54 percent of its hospital income of ₱116,037,875.84, thus, denying the intended beneficiaries of quality health care services that could have been provided to them had the required percentage of said income been properly allocated, and plans for the efficient utilization thereof were formulated and implemented.

We recommended and the SOH agreed to direct the heads of concerned OUs to: (a) plan carefully through proper and complete identification of all equipment/facilities needed by the hospitals to deliver quality health care services to intended patients and prioritize the utilization of the allocated hospital income; (b) require the submission of explanation/justification on the deficiencies noted, evaluate the same and impose appropriate sanctions to concerned officials/employees; and (c) henceforth, ensure that at least 25 percent of the hospital income is allocated for the procurement of necessary equipment and upgrading of hospital facilities to provide the intended patients with access to better health care services.

8. Unauthorized and unnecessary balances in depository accounts as well as fees and other receipts or revenues collected totaling ₱441,239,379.94 remained unremitted to the National Treasury contrary to law and regulations.

We recommended and the SOH agreed to direct the concerned OUs to cause the immediate transfer/remittance of their unauthorized/unnecessary cash balances and collected fees to the BTr in compliance with law and regulations.

9. Procedural deficiencies in the procurement process and lack of documentation in various contracts entered into and implemented by the DOH as well as lapses in implementation of its various projects in the aggregate amount of at least ₱3,967,249,291.33, were not in keeping with pertinent provisions of RA No. 9184 and its RIRR, thus, deprived the government of the most advantageous prices and resulted in doubtful payment transactions and significant delays in project completion.

We recommended and the SOH agreed to direct the CO and OUs to: (a) henceforth, strictly comply with the requirements of RA No. 9184 and pertinent laws, rules and regulations, particularly on the conduct of public bidding and other procurement activities and on the preparation and submission of required documents; (b) submit explanation/justification on the various deficiencies noted, evaluate the same and take appropriate actions; (c) conduct periodic assessment of processes and procedures to streamline procurement activities pursuant to Section 3(c) of this 2016 Revised IRR; and (d) consider the imposition of proper liquidated damages on delayed delivery and/or completion of procured goods, services and infrastructure projects to encourage faithful adherence and timely execution of contracts.

10. Disbursements of various DOH OUs in the total amount of ₱557,699,748.22 did not comply with established rules, procedural guidelines, policies, principles or practices, resulting in the incurrence of irregular, unnecessary, and excessive expenditures.

We recommended and the SOH agreed to direct the OUs to comply fully with established rules, regulations, procedural guidelines, policies, principles or practices and avoid IUEEU expenditures to prevent disallowance in audit.

F. Status of Suspensions, Disallowances and Charges

Shown below is the status of the audit suspensions, disallowances and charges issued as of December 31, 2020:

Summary of NSs, NDs and NCs Issued and Settlements

Particulars	Amount in PHP				
	Beg. Balance	Movement during the year not disclosed in Operating Units' Management Letters	This Period		Ending Balance
	(As of January 1, 2020)		(January 1 to December 31, 2020)		(As of December 31, 2020)
			NS/ND/NC	NSSDC	
NS	7,994,172,020.38	4,518,737.15	439,659,279.68	357,333,206.36	8,081,016,830.85
ND	712,884,980.74	9,557,007.17	29,659,723.63	33,344,199.57	718,757,511.97
NC	1,227,776.28	0.00	0.00	25,000.00	1,202,776.28
Total	8,708,284,777.40	14,075,744.32	469,319,003.31	390,702,405.93	8,800,977,119.10

G. Status of Implementation of Prior Years' Audit Recommendations

Of the 151 audit recommendations in prior years, 136 were implemented which includes recommendations that are Fully Implemented by the Management; and reiterated Audit Observations in Part II of CY 2020 CAAR with revised/updated information and recommendations. While 15 were not implemented which includes recommendations that are Partially Implemented and Not Yet Implemented by the Management the details of which are shown in Part III of this Report,

We enjoin management to ensure full implementation of all audit recommendations to improve the financial and operational efficiency of the DOH, as well as reliability on financial statements of the agency.