

# EXECUTIVE SUMMARY

## A. Introduction

The National Nutrition Council (NNC) was created in 1974 by virtue of Presidential Decree No. 491, otherwise known as the “Nutrition Act of the Philippines”. The NNC is the country’s policy-making and coordinating body on nutrition. The Council was reorganized through Executive Order No. 234 s.1987 and Administrative Order No. 88 s.1988. It was attached to the Department of Health (DOH) on November 30, 2005. The NNC was instructed to realign its operations to focus on client-based activities and to address hunger and malnutrition in the context of Millennium Development Goals (MDG).

As the policy-making and coordinating body on nutrition, the NNC has the following objectives:

- Formulate national food and nutrition policies and strategies;
- Coordinate the planning, monitoring and evaluation of the national nutrition program;
- Coordinate the release of funds, loans and grants from government and non-government organizations; and
- Call on any department, bureau, office, agency and other instrumentalities of the government for assistance in the form of personnel, facilities and resources as the need arises.

The Council consists of a Governing Board (GB) composed of representatives from 10 government agencies and three (3) from the private sector. It is chaired by the Secretary of the DOH, and assisted by a Secretariat headed by Executive Director Azucena M. Dayanghirang, MD, MCH, CESE.

There are three (3) technical divisions each headed by a Nutrition Officer (NO), namely: the Nutrition Policy and Planning Division (NPPD), Nutrition Surveillance Division (NSD), and Nutrition Information and Education Division (NIED). The Finance Management Division (FMD) and Administrative Division (AD) are the two (2) support divisions.

There are 17 Regional Field Offices (RFOs), each headed by Nutrition Program Coordinator (NPC). The RFOs are under the direct supervision of the Office of the Executive Director.

As of December 31, 2020, the Council has 108 authorized positions, of which 95 were filled up and 117 Job Order/Contractual personnel with total warm bodies of 212.

On December 31, 2019, a new disease known globally as the Coronavirus 2019 (COVID-19) went viral in the social media and started in Wuhan City, China. The new disease was caused by a novel virus called Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2). The Philippines recorded its first case of COVID-19 on January 30, 2020 and on the same date, the World Health Organization (WHO) considered it as a Public Health Emergency of International Concern (PHEIC). With the rising number of cases with distribution of the disease to more than 100 countries, the WHO declared COVID-19 disease as a pandemic on March 11, 2020. The following day, the Philippine government, recognizing that this disease poses a public health threat, raised the Code Alert Level to Code Red Sublevel Two. This necessitated the issuance of subsequent guidelines for the effective management and control of the disease including the strategy to strengthen the surge capacity of health facilities in addressing the potential increase in COVID-19 cases.

In response to this crisis brought by the 2019 Novel Coronavirus pandemic the NNC issued Guidelines for the Prevention, Control, Mitigation of the Spread of the Corona Virus Disease – 19 (COVID-19). These guidelines apply to all NNC Employees, both regular plantilla and job order/contractual personnel in the Central Office and Regional offices.

Some of the health and safety protocols implemented in NNC Offices are;

- a.) Use of non-contact thermal scanner for temperature checks
- b.) Mandatory wearing of face masks
- c.) Frequent hand washing and use of hand sanitizer
- d.) Observance of social or physical distancing
- e.) Implementation of Alternative Work Arrangements

## **B. Financial Highlights**

The Council's comparative financial highlights for CY 2020 with comparative figures for CY 2019 are as follows:

### **Financial Condition**

Particulars	CY 2020	CY 2019 (Restated)	Increase (Decrease)
Assets	969,170,636.43	892,617,458.86	76,553,177.57
Liabilities	79,629,399.09	89,326,111.29	(9,696,712.20)
Net Assets/Equity	889,541,237.34	803,291,347.57	86,249,889.77

### **Financial Performance**

Particulars	CY 2020	CY 2019 (Restated)	Increase (Decrease)
Revenue	295,563,547.13	599,340,406.35	(303,776,859.22)
Expenses	206,999,706.34	303,198,955.12	(96,199,248.78)
Surplus/(Deficit)	88,563,840.79	296,141,451.23	(207,577,610.44)

## Sources and application of funds

Particulars	CY 2020	CY 2019	Increase (Decrease)
Allotments	430,798,700.00	430,004,138.00	794,562.00
Obligations	313,442,650.25	417,456,166.26	(104,013,516.01)
Balances	117,356,049.75	12,547,971.74	104,808,078.01

### C. Scope of Audit

The audit covered the accounts and operations of NNC for the year ended December 31, 2020. 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.

### D. Independent Auditor's Report

A qualified opinion was rendered on the financial statements of the NNC as at December 31, 2020.

### E. Summary of Significant Observations and Recommendations

1. The reported balance of the CIB-LCCA account amounting to ₱525.505 million as at December 31, 2020 is inaccurate and unreliable due to unrecorded prior years' and current year's liquidations/disbursements of majority of the NNC regional offices which resulted in the significant difference between balance per books and balance per bank confirmation/statements amounting to ₱504.820 million, contrary to the provisions of Section 74 of Presidential Decree (PD) 1445 and Sections 4 to 7, Chapter 21 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

**We recommended and Management agreed to require/direct the:**

- a) **The Accountants of the NNC-Central Office (NNC-CO), and the NPCs in the ROs to: (i) collaborate/coordinate with each other for the immediate submission of the BSs not yet forwarded to the Accounting Unit for the reconciliation of the balances with the recorded fund transfers and the corresponding withdrawals/ disbursements in the books of NNC-Central Office and the cashbooks of the NPCs to decrease the discrepancy noted in the ledger books with the BSs; and (ii) facilitate the verification of the submitted BS with the BCLs of the NNC-ROs and forward the same to the Audit Team within 20 days after receipt of the BS, as required in Sections 4 to 7, Chapter 21 of the GAM, Volume I; and**

- b) **Accountants to exert utmost effort to validate/verify in the agency's previous records the details, nature and identities of the forwarded unreconciled beginning balance from prior years as well as the supporting documents pertaining thereto.**
2. Unrecorded issuances of Information, Education, and Communication (IEC) materials amounting ₱1.898 million and office supplies amounting ₱0.146 million overstated the *Other Supplies and Materials for Distribution* and *Office Supplies* accounts and understated the *Other Supplies and Materials for Distribution Expense* and *Office Supplies Expense* accounts.

**We recommended that Management require the:**

- a) **Chief, Financial Management Division to submit/provide to the Accountant all copies of RSMIs and RISs received by their office in CY 2020 for the appropriate recording of transactions in the books;**
  - b) **The Chief, FMD to officially instruct the Property/Supply Officer to submit all pertinent supporting documents of the succeeding issuances of office supplies inventory, directly to the Office of the Chief Accountant, at least on a monthly basis, to avoid similar incident/deficiency in the ensuing year; and**
  - c) **The Accountant to prepare the JEV, upon receipt of the RSMIs and RISs from the Office of the Chief, FMD and record in the books the issuances of IECs and office supplies to effect the necessary adjustments in the accounts *Office Supplies Inventory, Other Supplies and Materials Inventory-for Distribution* and *Government Equity*, immediately in CY 2021, copy furnished the Audit Team for audit purposes.**
3. Non-submission by NNC Region XI of the Cash in Bank Register (CBReg) together with the disbursement vouchers and other required supporting documents on the utilization of funds received from NNC-Central Office amounting to ₱1.215 million, hindering timely review of transactions and recommending corrective measures for deficiencies found in audit and in violation of Section 11, Chapter 6 of the GAM, Volume I.

**We recommended and Management agreed to submit immediately the CB Reg with the disbursement vouchers including the complete supporting documents for the ₱1,215,341.00 funding received from Central Office, and henceforth, submit all succeeding CBReg on time as required under Section 11, Chapter 6 of the GAM, Volume I.**

4. The long-outstanding balance of the *Due from National Government Agencies* account amounting to ₱32.724 million as at December 31, 2020 for more than 10 years became dormant due to inadequate monitoring/follow-up/coordination with the concerned national government agencies to enforce the submission of liquidation reports for the funds transferred contrary to provisions of COA Circular No. 94-013 and COA

Circular No. 2016-005, thus, affecting the fair presentation of the accounts in the Financial Statements as at year-end.

**We recommended and Management agreed to require/direct the Accountant and the Chief, Finance Division to:**

- a) **collaborate and pursue the plan of reconciliation of the NNC records with the concerned NGAs for all the transferred funds, even for those only less than a year, by sending confirmation letters immediately in the ensuing year, for the immediate submission of liquidation reports. If efforts exerted will again fail, pay personal visits to the concerned NGAs (give priority to Fabella hospital, PIA, NDA, FNRI-DOST, ATI and the Procurement Service) to prevent the increase/accumulation of dormant balances, pursuant to the provisions of the Memorandum of Agreement and COA Circular No. 94-013 dated December 13, 1994; and**
  - b) **consider to request for write-off of the dormant balances aged 10 years or older, particularly those with small amounts way back in 1985 and the 1990s and those in far places, if confirmation and personal visits seem remote due to the continuous COVID-19 outbreak and geographical locations, following the guidelines prescribed under COA Circular No. 2016-005 dated December 29, 2016 and duly supported with valid documents.**
5. The existence of unreconciled/unknown balance between the General Ledger and Subsidiary Ledger of the *Due from NGAs* and *Due from LGUs* account amounting to ₱8.119 million rendered the balances presented in the Financial Statements unreliable and doubtful..

**We recommended and Management agreed to direct/require the Accountant and the Chief, FMD to:**

- a) **coordinate/collaborate for the immediate reconciliation of the NNC books with the IAs books particularly those balances with less than 10 years of age in the succeeding years to facilitate the determination of the source of the unreconciled balance between the SL and the GL books of accounts; and**
  - b) **judiciously work on the reconciliation of the unreconciled balances between the SL and GL immediately in the ensuing year to determine not only the source but also the causes of the discrepancy. Prepare the Journal Entry Voucher (JEV) and effect immediately the necessary adjustments in the books of accounts, after the reconciliation efforts between the SL and GL balances.**
6. The reliability, accuracy and existence of the reported balances of the *Inventories* accounts totaling to ₱60.835 million could not be ascertained due to the failure to conduct physical count of inventories as required in Section 13, Chapter 8 of Government Accounting Manual (GAM) because of lack of manpower and conflict in the alternative work arrangement during the COVID-19 pandemic and therefore no

Report of Physical Count of Inventories (RPCI) was prepared/submitted as well as no reconciliation of its result with the Accounting records is being conducted.

**We recommended and Management agreed to require the:**

- a) **The Property/Supply Officer together with the Inventory Committee to conduct the semi-annual physical count of all unused inventories immediately in the ensuing year and submit the RPCI on the prescribed period, complete with the required data/information to the AT on or before July 31 and January 31 of each year for the 1<sup>st</sup> and 2<sup>nd</sup> semesters, respectively; and**
  - b) **The Accountant and the Chairman of the Inventory Committee to coordinate and reconcile the result of the physical count with the Accounting records after the conduct of the physical inventory in the 1<sup>st</sup> semester of CY 2021. Any negative result, shall be investigated immediately, if so warranted.**
7. The validity/accuracy and existence of the Property, Plant and Equipment accounts totaling ₱64.260 million as at December 31, 2020 is unreliable/uncertain, due to: (a) failure of the inventory Committee to conduct the physical count of all property and equipment and consequently, no Report of Physical Count of Property, Plant and Equipment (RPCPPE) was prepared and submitted to the COA Office within the prescribed period as required in Sections 38 and 42, Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I; (b) unreconciled balances between CY 2020 General Ledger and CY 2019 Report of Physical Count of Property, Plant and Equipment (RPCPPE, latest report) with a variance of ₱17.629 million, which proved that no reconciliation effort was made between the Accounting records and the RPCPPE, pursuant to Section 42 of the GAM, Volume I; (c) unserviceable PPEs were still included in the PPE accounts; and (d) other PPE accounts amounting to ₱1.076 included unidentified PPEs valued at P.976 million.

**We recommended and Management agreed to require/direct the:**

- a) **Property Officer, together with the Inventory Committee, to: i) conduct a complete annual physical inventory of PPE in CY 2021, nationwide, at an earlier schedule if the current situation of the COVID-19 pandemic already permits; ii) prepare and submit the RPCPPE report using the prescribed form to the Audit Team on or before January 31 of the following year in compliance with Section 38, Chapter 10 of the GAM, Volume I; and iii) coordinate with the Accountant for the immediate reconciliation of the result of physical count with the accounting and property records before the final preparation of the RPCPPE for CY 2021;**
- b) **The concerned officials of the Accounting Division and Administration Division to coordinate with the members of the Inventory Committee and continue the on-going reconciliation between the CY 2020 General Ledger books with the CY 2019 RPCPPE in order to reduce the difference of ₱17,629,006.95 between the balances per books and per physical count, in the**

ensuing year. Any discrepancy noted between the two records shall be immediately verified/investigated and adjusted;

- c) The Property Officer to submit immediately to the Accounting Division, the copy of IIRUP in the succeeding year for recognition in the books of the unserviceable properties and impairment loss, if any;
- d) The Accountant to prepare the JEV for dropping from the books the unserviceable PPE upon securing a copy of IIRUP from the Property Officer and after the validation of the Accounting Staff of the veracity of the report, and the recognition of impairment loss, if any, copy furnished the COA Office for monitoring purposes;
- e) The Inventory Committee to include in the RPCPPE for CY 2020, the Motor Vehicle purchased in CY 2018;
- f) The Accountant to prepare the JEV for the appropriate reclassification of property items with acquisition cost below the ₱15,000.00 capitalization threshold totaling ₱213,045.12, to the Semi-Expendable Property accounts as required under Item 5.4 of COA Circular No. 2016-006 and replace the Property Accountability Receipt (PAR) previously issued to the accountable persons to Inventory Custodian Slips (ICS) for control purposes

#### F. Enforcement of Settlement of Suspensions, Disallowance and Charges

The total audit suspensions, disallowances and charges of prior years as of December 31, 2020 are summarized below (in million Php):

Particulars	Beginning Balance (As at 1/1/2020)	This period January 1 to December 31, 2020		Ending Balance (As at 12/31/2020)
		NS/ND/NC	NSSDC	
NS	₱47.100	0.00	3.275	₱43.825
ND	21.665	0.00	0.00	21.664
NC	0.00	0.00	0.00	0.00
<b>Total</b>	<b>₱68.765</b>	<b>0.00</b>	<b>0.00</b>	<b>₱65.489</b>

#### G. Status of Implementation of Prior Years' Audit Recommendations

Out of the total 67 audit recommendations contained in CY 2019 Consolidated Annual Audit Report, there were 46 implemented and 21 not implemented. Details are presented 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 Agency.