

EXECUTIVE SUMMARY

A. Introduction

Republic Act 6939 approved by Congress on March 10, 1990, created the Cooperative Development Authority (CDA), an agency under the Office of the President. Its main goal is to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development.

A Board of Administrators, consisting of the Chairman and six members, governs the CDA.

B. Financial Highlights:

	2005	2004	Inc/(Dec)
Income (NCAs Received CY 2005)	231,587,117.60	228,205,202.00	3,381,915.60
Allotment Received	235,395,425.68	238,139,716.00	(2,744,290.32)
Continuing Appropriations	-	-	-
Obligations Incurred	226,772,091.05	232,480,716.00	(5,708,624.95)
Unexpended Balance	8,623,334.63	5,659,000.00	2,964,334.63

C. Scope of the Audit

A Financial and Compliance Audit was conducted on the Cooperative Development Authority for the year ending December 31, 2005. The audit includes examining on a test basis, evidence supporting the amount and disclosure in the financial statements; and assessing the accounting principles used as well as evaluating the over-all financial statement presentation.

D. Auditor's Report

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to doubtful balances of the following accounts - Cash-in Bank-LC Time Deposits; Office Supplies Inventory; Property, Plant and Equipment; and Accounts Payable caused by the following observations:

- a. Time Deposits of P49,128,360.92 were not recorded and P8,881,846.85 were not properly supported by documents.
- b. Overstatement of Office Supplies Inventory in CDA Central Office, Cebu & Tacloban EOs amounting to P4,791,498.30.

- c. Unreconciled discrepancy of P8,972,989.04 of the balances of Property, Plant and Equipment in the CDA-Central Office appearing in the records of Property Unit and the Accounting Unit.
- d. One hundred eight (108) pcs of Furniture and fixtures and sixteen (16) units calculators found in the station during physical count in Cebu EO of undetermined value were not recorded in the books nor was this included in the Inventory report.
- e. Accounts Payable amounting to P2,443,056.49 were not properly supported by documents.
- f. Understatement of Accounts Payable due to the erroneous debits made to the account for payment of terminal leave benefits and Cooperative Marketing Project (CMP) trust fund in the amount of P912,389 and 83,381, respectively.

E. Observations and Recommendations

The following are the gist of our other significant audit observations which were not included in the preceding paragraph:

1. Collectibility of interest receivable amounting to P248,609,626.42 not determined.

It is recommended that the Cooperative Project Development Assistance Division (CPDAD) of CDA- Central Office coordinate with the extension offices which of the cooperative –borrowers are financially stable and could pay the interest and principal loans. This would be the basis of reflecting in the books the accurate collectible interest on loans.

2. Unliquidated Due from Officers and Employees (CDA-Central Office) – P3,216,624.51.

It is recommended that long outstanding cash advances granted to officials/employees be deducted against their salaries on a monthly basis until such time that the amount shall have been fully satisfied.

3. Excessive Telephone Expenses – Landline and Mobile (CDA-Central Office) – P1,013,724.20 and P647,904.73, respectively.

It is strongly recommended that the policy on cost-cutting be strictly followed and the amount in excess of the ceiling be shouldered by the individual.

F. Implementation of Prior Year's Recommendations

Of the 25 audit recommendations embodied in the 2004 Consolidated Annual Audit Report, 8 were implemented, 8 were partially implemented, 7 were not implemented during the year.