

EXECUTIVE SUMMARY

A. *Introduction*

The Career Executive Service Board (CESB) was enacted into law under Presidential Decree No. 1 issued on September 24, 1972. It became operational on November 14, 1974 when Presidential Decree No. 336 amending PD No. 1 was enacted.

The CESB, an attached agency of the Civil Service Commission, was created to serve as the governing body of the Career Executive Service (CES), the apex of the career civil service. As such, it is primarily responsible for the promulgation and implementation of rules, standard and procedures in the selection, classification, compensation and career development of members of the CES.

For CY 2005, out of 61 plantilla positions, 48 were filled and 13 were vacant.

B. *Financial Highlights*

There was an increase on the Board's assets and equity and a decrease on liabilities for CY 2005 compared to CY 2004. The assets, liabilities and equity as of December 31, 2005 and December 31, 2004 are as follows:

	Assets	Liability	Equity
	(In Philippine Peso)		
CY 2004	46,525,890.44	1,226,562.40	45,299,328.04
CY 2005	46,649,540.72	1,211,825.68	45,437,715.04

The allotment, obligations and balance at year end for CY 2005 are lesser compared to CY 2004. The agency's sources and application of funds for CY 2005 and CY 2004 are shown below:

Particulars	2005	2004	Increase/ (Decrease)
	(In Philippine Peso)		
Allotment per GAA	29,081,749.00	29,804,820.00	(723,071.00)
Continuing Appropriations	3,194,718.00	2,814,959.18	379,758.82
Available Funds	32,276,467.00	32,619,779.18	(343,312.18)
Obligations Incurred			
Personal Services	16,834,500.32	16,311,195.25	523,305.07
MOOE	12,991,288.55	12,788,893.14	202,395.41
Capital Outlay	2,398,900.00	-	2,398,900.00
Total	32,224,688.87	29,100,088.39	3,124,600.48
Balance at year end	51,778.13	3,519,690.79	(3,467,912.66)

C. Scope of Audit

The audit covered the operation of the Career Executive Service Board for 2005. The objectives of the audit were to ascertain the fairness and reliability of the CESB's financial position and results of operations. We also conducted compliance audit and checked the validity and propriety of transactions.

D. Auditor's Report

The team rendered a qualified opinion on the financial statements because the accuracy and validity of the accounts PPE and the Inventories as of December 31, 2005 valued at P50,843,384.84 and P2,173,947.80, respectively, cannot be ascertained due to the failure of management to complete the physical count of its PPE and Inventories, non-reclassification of unserviceable and obsolete assets totaling P1,062,272.45 and the non-use of the moving average method on costing its inventories.

E. Observations and Recommendations

For the exception above-cited, the audit team recommended that the Property Officer be required to complete physical inventory of the agency's PPE and Inventories and reconcile property and accounting records; reclassify unserviceable and obsolete assets and the use of moving average method on costing of inventories.

In addition, the other significant observations, together with the corresponding recommendations, are summarized as follows:

1. Cash advances granted to regular and special disbursing officers and to officials and employees in the total amount of P465,371.81 remained unliquidated at year-end.

Require Mesdames Bargo and Capati, accountable officers, to refund the remaining balance of their cash advances totaling P2,996.75 immediately, without prejudice to their seeking reimbursement from Mr. Dimalanta's relatives.

Direct the officials and employees concerned to settle/liquidate the cash advances granted to them, failure of which by the accountable officer concerned would constitute a valid cause for the withholding of their salaries.

Stop the granting of cash advances to pay purchase of agency property, supplies and materials which may be paid through check.

2. Collections were not deposited intact and on the same day or on the next banking day contrary to DBM-DOF Joint Circular No. 1-81 dated January 1981.

Require the Cashier to explain his practice of not ensuring that daily collections are deposited intact at least on the following working day.

Direct the Cashier to deposit his collections regularly and intact in compliance with DBM-DOF Joint Circular No. 1-81. Ensure that the prescribed cashbook be used to facilitate daily recording thereon and reconciliation of the cashbook balance with his cash.

3. Unauthorized receipt by management officials of Collective Negotiation Agreement (CNA) Incentives totaling P73,588.08 under Administrative Order 135 dated December 27, 2005.

Management officials concerned must refund the CNA Incentives received by them for CYs 2004 and 2005.

4. The balance of the Cash in Bank - Local Currency at the Philippine National Bank, Pasig City Branch, in the amount of P53,879.01 is dormant since 1994.

Include in its priorities verification of subject account by tracing back the records. Verification from PNB should also be done with proper documentation. After which, when existence of the account can no longer be proven, a request for write-off of the account with the Commission on Audit be prepared in accordance with COA Circular No. 97-001 dated February 5, 1997.

The observations were communicated to management through issuance of Audit Observation Memorandum and were discussed with management and staff concerned. Management comments are incorporated in Part II of this report, where appropriate.

F. Implementation of Prior Year's Audit Recommendations

Of the seven (7) audit recommendations embodied in the CY 2004 Annual Audit Report, one (1) was fully implemented, two (2) were partially implemented, and four (4) were not implemented.