

## EXECUTIVE SUMMARY

- **Introduction**

The Commission on Information and Communications Technology (CICT) was created by virtue of Executive Order No. 269 issued by the President on January 12, 2004. While waiting for the creation of the Department of Information and Communications Technology (DICT) which is under consideration in Congress, as a transitory measure, the CICT will have an active role in streamlining, managing, coordinating and implementing various Information and Communications Technology (ICT)-related plans and policies of the government. CICT is tasked to immediately address the urgent need to harmonize and make the country's approach to ICT development more coherent and efficient.

The Commission is composed of the National Computer Center (NCC), Telecommunications Office (TELOF), and all other operating units currently existing in the Department of Transportation and Communications (DOTC) which directly support Communications, including the Telecommunications Policy and Planning Office. The National Telecommunications Commission (NTC) and the Philippine Postal Corporation (PHILPOST) are attached to the Commission. However, NTC was transferred back to the DOTC by the issuance of Executive Order No. 454 dated August 23, 2005.

The Commission is headed by Chairman Virgilio L. Pena, with a Cabinet Rank and assisted by four Commissioners. Director-General Angelo Timoteo M. Diaz de Rivera of the NCC and former Mr. Elberto E. Emphasis, Chief of the TELOF are in concurrent capacity as Commissioners. They are assigned for the E-Government Development Group and Telecommunications Operations Group, respectively. Mr. Emmanuel C. Lallana and Mr. Damian Domingo O. Mapa, supervised the ICT Human Capital Development Group and ICT Business Development Group, respectively. The organizational structure and staffing pattern for CICT has to be approved yet by the Department of Budget and Management (DBM). In the absence of which, the Commission is assisted by support staff pulled out from the Administrative and Finance offices of the Main and NCR-TELOF and the technical staff from the transferred Communications Office of the DOTC with a total actual personnel of forty-three (43). Of the 43, one (1) position was not issued a Notice of Organization, Staffing and Compensation Action (NOSCA) and five (5) were hired as consultants.

The Commission is mandated to be the primary policy, planning, coordinating, implementing, regulating, and administrative entity of the executive branch of the Government that will promote, develop and regulate integrated and strategic ICT systems and reliable and cost-efficient communication facilities and services. To ensure that the mandate of the Commission is adhered upon, the objectives and functions are enumerated in the attached Annex 1.

- **Financial Highlights**

<b>Account</b>	<b>Amount</b>
Subsidy Income	P 19,161,867.00
Income from Grants & Donations	2,780,023.15
Allotment Received	219,666,298.19
Continuing Appropriations	-
Obligations Incurred	19,666,298.19
Unobligated Allotment	200,000,000.00
Unexpended Balance	-

- **Operational Highlights**

The agency's accomplishments over the targeted/activities is presented in Annex 2.

- **Scope of Audit**

The audit covered the operations of the agency for calendar year 2005. The audit was aimed at ascertaining the fairness of presentation of the financial statements, and the propriety of financial transactions.

- **Auditor's Report**

The Auditor rendered a qualified opinion in the fairness of presentation of the financial statements due to: 1) Unrecorded government motor vehicles understated the assets and equity of the agency by P8,668,084.05; 2) Unrecorded donations of IT Equipment & Software understated the assets and income of the agency by P2,681,807.50; 3) Unrecorded grants understated Cash in Bank-Local Currency Current Account and Income from Grants and Donations by P98,215.65; 4) The balance of inventory accounts in the total amount of P900,837.95 could not be relied upon due to the absence of Report of Supplies and Materials Issued (RSMI); non-conduct of physical inventory; and inclusion of equipment and furniture and fixtures; 5) Rate of remuneration for Professional Consultancy Services contract not approved by the Department of Budget and Management (DBM); 6) Taxes due totaling P82,801.32 computed on purchases of goods and services in the total amount of P1,978,452.56 were not withheld for remittance, thus prevented the Bureau of Internal Revenue (BIR) to collect the needed income of the government; 7) Insurance for the donated IT Equipment & Software totaling P2,681,807.50 was not provided by the agency; 8) Depreciation expense for IT Equipment totaling P227,041.90 was not provided, hence Property, Plant & Equipment was not fairly presented in the financial statement; 9) Driver's Trip Tickets and Monthly Report of Fuel Consumption did not include information required under COA Circular No. 77-61 (Appendices A & G).

- **Observations and Recommendations**

To remedy the situations cited in the audit observations we recommend the following:

1) That the Accountant record the transferred motor vehicles in the books of the agency totaling P8,668,084.05 in order to present a correct balance of the assets and equity of the agency; 2) Management should require that the donated equipment be turned over to the designated Property Custodian and should observe the procedures in the receipt, inspection and acceptance of deliveries of equipment. Moreover, the Accountant should be required to establish the cost of each item of the donated equipment, prepare the JEV and record in the books the cost of the donations totaling P2,681,807.50 or at the cost established by the Accountant; 3) That the Accountant transfer the grant amounting to P98,215.65 from the current account of the agency to the account of the Treasurer of the Philippines; 4) Management should create an Inventory Committee to conduct an annual physical inventory of all inventory items and equipment owned by the CICT. The Property Officer should strictly follow the requirements of Sec. 45-46 of the Manual on the New Government Accounting System (NGAS) and Sec. 490 of the Government Accounting and Auditing Manual (GAAM). The Accountant should also keep Supply Ledger Card (SLC)/Property, Plant and Equipment Ledger Card (PPELC) pursuant to Sec. 45 of the NGAS; 5) Management officials should submit the contracts of Professional Consultancy Service totaling P328,809.03 to the Compensation and Position Classification Bureau (CPCB) of the Department of Budget and Management (DBM) for approval of the rate of remuneration; 6) The Accountant was advised to comply with Memorandum Order No. 209 to help the government generate income which she did in the ensuing year; 7) After the recommendations in audit observation No. 2 relative to the donated equipment had complied with by the concerned officers, Management should require to secure insurance coverage of all equipment owned by CICT; 8) The Accountant compute for the depreciation of all equipment owned by the agency and prepare the JEV to record in the books depreciation pursuant to Sections 67-68 of the Manual on the NGAS; 9) The Chief, Finance and Administrative Group ensure the use of Driver's Trip Tickets and Monthly Report of Fuel Consumption as prescribed in Appendices A and G of COA Cir. No. 77-61. The Accountable Officers be required to submit Monthly Report of Official Travels.

- **Implementation of Prior Year's Audit Recommendations**

The CICT commenced operation in CY 2005 because the initial funds for its operation were released by the DBM just in May 2005. The 2005 Annual Audit Report (AAR) is the first audit report submitted for CICT, hence this year has no prior year's audit recommendations to implement.