

EXECUTIVE SUMMARY

INTRODUCTION

The Housing and Land Use Regulatory Board (HLURB) was designated as the sole regulatory body for housing and land development as per Executive Order (EO) No. 90 dated December 17, 1986. Its function was further expanded to include regulatory supervision over homeowners associations pursuant to Republic Act No. 8763. It is composed of Central Office and 15 decentralized regions. As of December 31, 2005, it has 460 personnel consisting of 440 permanent, 7 temporary, 4 presidential appointees, 2 co-terminus, 5 ex-officio members and 2 casual employees.

FINANCIAL HIGHLIGHTS

A comparative analysis relative to the sources and application of funds for the last two years is presented below:

	2005	2004	Inc/Dec
Income			
Subsidy Income from National Government	163,165,081.74	162,228,068.17	937,013.57
Income from Operations	119,744,606.42	107,479,706.20	12,264,900.22
Total Income	282,909,688.16	269,707,774.37	13,201,913.79
Less: Obligations Incurred	257,859,856.61	230,802,616.60	27,057,240.01
Excess of Income Over Expenses	25,049,831.55	38,905,157.77	(13,855,326.22)

SCOPE OF AUDIT

An audit was made on the accounts and operations of HLURB for the period January 1 to December 31, 2005. The objective of the audit was to ascertain the propriety of financial transactions and determine the fairness of presentation of the financial statements.

AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the non-reconciliation of Property, Plant and Equipment (PPE) and Inventories valued in the books at P60.032 million and P1.605 million, respectively, with the physical count at year-end; non-provision of depreciation for PPE amounting to P25.737 million; overstatement of payables amounting to P12.761 million; doubtful balance of Due from National Treasury account in the amount of P3.647 million; non-collection/settlement of due from officers and employees in the amount of P0.406 million; absence of Work Plan and Budget for CY 2005, duly approved by the Department of Budget and Management, for the utilization of funds amounting to

P89.581 million; payment of benefits out of the proceeds of income in the amount of P88.772 million without authority; and the grant of additional benefits namely Cost Of Living Allowance (COLA) Back pay, Cost Economic Measure Award (CEMA), Rice Subsidy and Gift Checks in the absence of authority in the amount of P9.345 million.

OBSERVATIONS AND RECOMMENDATIONS

The findings and recommendations of the Auditor are as follows:

1. Favorable observations were noted in Regional Field Offices (RFOs) X, XI and XIII.
2. The accuracy of the balances of Property Plant and Equipment (PPE) and Inventories accounts valued at P60.032 million and P1.605 million, respectively, could not be ascertained due to failure of management to complete the physical count of PPE and Inventories; to reconcile physical count with the books of accounts; and to prepare/maintain/update PPE Ledger Cards (PPELC), Supplies Ledger Cards (SLC), Property Cards (PC), Stock Cards (SC), Acknowledgment Receipt for Equipment (ARE) and Report of Supplies and Materials Issued (RSMI).

It is recommended that Management require the Inventory Team to conduct the physical count of PPE and Inventories and complete the Reports on the Physical Count of PPE and Inventories and submit them to the Auditor as required; require the Accounting and Property Units to reconcile the physical count with the books of accounts and prepare RSMI; require the Accounting Unit to maintain/update PPELC, SLC; and require the Property Unit to maintain PC and SC and prepare/update ARE.

3. Accumulated depreciation was not provided for PPE valued at P25.256 million and P 0.481 million for Central Office (CO) and National Capital Region (NCR) respectively; thus, the values of the PPE as presented in the Balance Sheet are overstated by the amount of the depreciation that should have been provided while the Depreciation Expenses in the Statement of Income and Expenses are understated.

It is recommended that depreciation be provided for the remaining PPE in CO and NCR once the reconciliation or proper classification is established using the Straight Line Method so as to show the correct balances of the Property, Plant and Equipment accounts.

4. The failure of CO and NCR Management to inform the University of the Philippines System (UPS) and the Department of Trade and Industry (DTI) of the fees collected for them amounting to P2.515 million and P10.246 million, respectively, resulted to an overstatement in the payable account by P12.761 million since the collections received were already deposited with the Bureau of Treasury (BTr) and are no longer payables of HLURB

It is recommended that the CO and NCR Accounting Units submit reports of collections to the UPS and coordinate with UPS and DTI for the collected trust receipts.

5. The Due from National Treasury account in RFO XIII amounting to P3.647 million was found to be doubtful because management could not support this account with appropriate documentation and could not determine their existence and nature of receivable.

It is recommended that RFO XIII Accountant obtain sufficient and competent documentation to establish the validity of the above receivables.

6. The agency had already utilized a total amount of P89.581 million out of its income of P113.225 million for CY 2005. In spite of this, Management had not yet submitted a copy of the Work Plan and Budget for 2004 & 2005, duly approved by the DBM, as prescribed under LAO-N-2004-260 dated August 17, 2004. Furthermore, Management granted Inflation Connected Allowance and SONA Bonus in the amount of P75.116 million and P13.656 million, respectively or a total amount of P88.772 million using the proceeds of income in the absence of authority to grant such benefits to the officials and employees.

It is recommended that Head of the Agency submit an explanation/justification on the grant of ICA and SONA Bonus despite non-conformity with existing laws, rules and regulations and the existence of the Decision LAO-National, COA; and an explanation/justification why the proceeds of income were used in the absence of Work and Financial Plan, duly approved by the DBM.

7. Management granted additional Other Personnel Benefits namely COLA Backpay Rice Subsidy, Gift Checks and Cost Economic Measure Award (CEMA) amounting to P 9.345 million in the absence of authority to grant such benefits.

It is recommended that the Head of the Agency furnish the Audit Team copies of the Authority to grant COLA Backpay, Rice Subsidy, gift checks and CEMA.

The above findings and recommendations were discussed with concerned officials of the agency. Management views and comments were included in the report, where appropriate.

IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS

Out of the fourteen (14) audit recommendations of the prior year, four (4) were fully implemented, eight (8) were partially implemented and two (2) were not complied with.

CO Management reverted to the Government Equity all the remaining unliquidated obligations which are not supported by valid documents. All collections are now being deposited intact daily in RFO III and IX. In RFO V, all collections and depository transactions were already recorded in the Cash Receipts Record. Copies of Inspection Reports were already submitted to the Auditor if there is an imposed fine/penalty.