

EXECUTIVE SUMMARY

A. Introduction

The Housing and Urban Development Coordinating Council (HUDCC) was created by virtue of Executive Order No. 90 dated December 17, 1986 under the immediate control and supervision of the President of the Philippines. The Council is charged with the main function of coordinating the activities of the government housing agencies to ensure the accomplishment of the National Shelter Program, a comprehensive government program which primary thrust is to assist homeless low and middle income urban families in meeting their housing needs through affordable financing package.

Among the powers and functions vested by EO No. 90 to HUDCC are:

1. To formulate national objectives for housing and urban development and to design broad strategies for the accomplishment of these objectives;
2. To monitor, review and evaluate the effective exercise by government housing agencies of their assigned functions;
3. To assist in the maximum participation of the private sector in all aspects of housing and urban development;
4. To recommend new legislation and amendments to existing laws as may be necessary for the attainment of government's objective in housing; and
5. To formulate the basic policies, guidelines and implementing mechanisms for the disposal or development of acquired or existing assets of the key housing agencies which are not required for the accomplishment of their basic mandates.

B. Financial Highlights

Under the General Appropriation Act of 2005 (RA 9336), the amount of ₱72,215,000 was appropriated for HUDCC. In addition to its appropriation, HUDCC received allotments from other sources for payment of benefits authorized during the year. The marked increase in income and expenditures over that of last year was due to receipt of cash allocation and payment of expenses for the Pinatubo Project Management Office (PPMO) which stopped operation effective September 1, 2005. The following table presents the sources and application of funds of the agency during the year.

Particulars	CY 2005	CY 2004	Increase (Decrease)	%
Appropriation	₱ 72,215,000	₱ 52,711,000	₱ 9,504,000	37
Allotments	73,768,090	50,986,000	22,782,090	45
Income	80,571,965	49,495,909	31,076,056	63
Expenditures	73,255,436	49,171,800	24,083,636	49

C. Scope of Audit

An examination was conducted on the accounts and operations of the HUDCC for calendar year 2005.

D. Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the HUDCC's financial statements due to matters discussed in the subsequent paragraphs.

E. Observations and Recommendations

The audit disclosed several deficiencies, the more significant are briefly discussed in the following paragraphs.

1. The liabilities of the agency were overstated by ₱1.723 million as a result of undue recognition of the account "Due to GOCC-NHA" in the books of HUDCC for collection of rentals of the Philippine Centennial Village (PCV), instead of having the amount accrued to the general fund and deposited to the Bureau of Treasury.

The Accountant should facilitate the withdrawal of the amount from LBP and have it deposited to the Bureau of Treasury. In the absence of specific law or regulation on the treatment of the collections from rent of the PCV as trust account, all collections arising from the subject should be deposited in the National Treasury and shall accrue to the General Fund

2. At least ₱3.99 million pertaining to fund balances of projects or undertakings which were already completed or non-moving was left idle in the bank as trust accounts, contrary to the thrust of the government of mobilizing all available cash.

The Accountant should initiate the closure of the funds pertaining to projects or undertakings which were already completed or not moving at all, either through refund to the source agency, or by depositing the same to the Bureau of Treasury. In so doing, the books of the agency would be cleared not only of idle funds, but also of the corresponding trust liabilities. Henceforth, see to it that all trust receipts are deposited to the Bureau of Treasury, in accordance with the prescribed guidelines and procedures set forth under COA-DBM-DOF Joint Circular 1-97, implementing EO 338, to facilitate optimum mobilization of available cash.

3. The Property, Plant and Equipment of the agency was overstated by a total of ₱309 million due to the inclusion of the account "Other Structures" for housing projects which were already awarded to the beneficiaries concerned and for which amortizations are being collected by HGC as part of the trust agreement.

In concurring with our observation, management has written a letter and is now awaiting response from GAFMIS to clarify the issue on hand so that appropriate adjustment could be taken up.

4. A total of ₱5.22 million was paid by HUDCC for the Cost of Living Allowance (COLA) to its employees for the period July 1989 to May 2004 notwithstanding the prohibition on the payment of the same by the Department of Budget and Management. As a result, funds were used for payment of personnel benefit the legality of which is still to be resolved by proper authority.

HUDCC should adhere strictly with pertinent rules and regulations in disbursing government funds. Considering that there is a pending case of COLA for national government employees with the Supreme Court, HUDCC should have held its action on the matter until the appropriate time.

The details of the foregoing observations including the corresponding recommendations are discussed in the attached report.

F. Implementation of Prior Years' Recommendations

Out of the six audit recommendations embodied in the 2004 Annual Audit Report, two (2) were fully implemented and the other four (4) were partially implemented. These are reiterated and shown in the "Status of Implementation of Prior Year's Audit Recommendations."