

EXECUTIVE SUMMARY

Introduction

The Insurance Commission was created as an independent office by virtue of Republic Act No. 275 dated June 15, 1948 as amended by Presidential Decree No. 612 dated December 18, 1974 and Presidential Decree No. 1460 (Insurance Code of 1978) dated June 11, 1978.

The mandate of the Insurance Commission is to regulate and supervise the insurance industry in accordance with the provision of the Insurance Code, to ensure that adequate insurance protection is available to the public at a fair and reasonable cost, and to guarantee the financial stability of insurance companies so that all legitimate claims are paid promptly and equitably.

Financial Highlights

	2005	2004	Increase/Decrease
NCA Received	80,091,809.00	71,257,281.00	8,834,528.00
Allotment Received	129,490,795.00	73,099,936.45	56,390,858.55
Continuing Appropriations	1,000,000.00	894,980.45	105,019.55
Obligations Incurred	84,218,646.45	71,370,342.84	12,848,303.61
Unexpended Balance	46,272,148.55	2,624,574.06	43,647,574.49

Scope of Audit

The audit covers the financial transactions of Insurance Commission for the period from January 1 to December 31, 2005. In conducting the audit, transactions were validated on a test basis, accuracy, completeness, balances of the accounts were reviewed and analyzed, and regularity of underlying documents supporting the disbursements were checked and verified.

Auditor's Report

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the agency due to the understatement in the balances of the accounts Library Books and Accumulated Depreciation-Library Books by P 326,550.61 and P 368,145.91, respectively, and the overstatement in the balances of the accounts Office Supplies Inventory, Other Payables and Government Equity by P111,428.65, P929,011.81 and P 153,792.93, respectively, which materially affected the financial statements.

Observations and Recommendations

1. Balances of the accounts Library Books and the related Accumulated Depreciation-Library Books were understated by P 326,550.61 and P 368,145.91, respectively, due to the erroneous accounting treatment of purchases of books in previous years. As a consequence, balances of the accounts Office Supplies Inventory and Government Equity were overstated by P 111,428.65 and P 153,792.93, respectively.

It is recommended that management require the Accounting Division to effect the necessary adjustments in the books of accounts in order to correctly reflect the balances of the accounts in the financial statements.

2. Balance of the account Other Payables was overstated by P 929,011.81 due to the treatment of fees collected from the Government Security and Insurance System (GSIS) as other payables instead of income.

It is recommended that management require the Accounting Division to make the appropriate adjustment in the books of accounts in order to correctly reflect the balance of the account Other Payables.

3. Inflation-connected allowance and birthday gift totaling P 8,986,802.00 and P428,000.00, respectively, were granted to officials and employees without legal basis.

It is recommended that the Commission disburse funds only upon submission of documents and other evidences to establish the validity and correctness of the claims for payment as required in Section 168 of the GAAM, Vol. I.

It is also recommended that approval be obtained from the Department of Budget and Management relative to the payment of the inflation-connected allowance and birthday gift. In the event that there are no documents to support the disbursements, it is recommended that the amounts be immediately refunded to the National Government.

4. Traveling expenses actually claimed were more than what is allowable under Executive Order No. 298.

It is recommended that the concerned officials be required to refund the amount representing excessive claims.

Status of Implementation by the Auditee of Prior Years' Audit Recommendations

For the calendar year 2005, there are eleven (11) audit recommendations that the Insurance Commission has to comply. An evaluation of these previous years' audit recommendations showed that only five (5) were fully implemented and six (6) were not implemented. Two (2) of the unimplemented recommendations were reiterated with amendments.