

EXECUTIVE SUMMARY

Financial Highlights

The comparative financial condition and results of operations of the Maritime Industry Authority (MARINA), composed of the Central Office and the ten (10) Regional Offices, for calendar years 2005 and 2004 are shown below:

Financial Condition:

	2005	2004
Total Assets	₱ 41,046,046.62	₱ 35,698,266.85
Total Liabilities	47,382,864.63	22,645,215.27
Total Government Equity	(6,336,818.01)	13,053,051.58

Results of Operations:

	2005	2004
Total Income	₱ 227,327,129.07	₱ 221,251,675.76
Total Expenses	264,500,583.85	211,527,368.52
Excess of Income Over Expenses	(37,173,454.78)	9,724,307.24

The allotments received by the Authority during the year as authorized under Republic Act No. 9336, otherwise known as the General Appropriations Act of 2005, as well as the obligations incurred and balances with comparative figures for 2004 are presented below:

	2005	2004
Allotments	₱ 251,650,784.02	₱219,090,635.86
Expenditures:		
Personal Services	119,021,825.92	110,712,665.61
Maintenance & Other		
Operating Expenses	132,391,740.60	87,810,840.06
Capital Outlay		
Total Expenditures	251,413,566.52	198,523,505.67
Unobligated balance	237,217.50	20,567,130.19

MARINA has collected a total revenue of ₱203,539,822.30 during the year which was recorded in the National Government (NG) Books. Compared to the 2004 income of ₱215,627,089.46, the current year's income is lower by ₱12,087,267.16, which was mainly due to the abolition of Supervision Fees.

Scope of Audit

The audit covered the operations of the MARINA - Central Office and the ten (10) Maritime Regional Offices for the calendar year (CY) 2005. The audit included examining evidences supporting the amounts and disclosures in the financial statements. It was conducted to determine the fairness of presentation of the financial statements and the propriety of financial transactions, with due emphasis on the critical accounts identified in the planning phase of audit.

Auditor's Report

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following: (1) unrecorded donated equipment from Japan International Cooperation Agency (JICA) amounting to ₱5,652,194.00 and ₱909.00 resulted in understatement of Property, Plant and Equipment account, (2) overdue travel advances totaling ₱1,360,937.70 understated the expense account and overstated the total receivables and government equity accounts, (3) unrecorded lost and issued Office Supplies Inventory costing ₱310,757.00 overstated the account, (4) non-provision of depreciation amounting to ₱198,985.83 resulted in understated expenses and overstated assets and equity accounts, and (5) the use of cash basis of accounting in the collection of income resulted in unrecorded Supervision Fees of ₱50,147,431.28 as of December 31, 2005.

Observations and Recommendations

The following are the significant observations and recommendations made in the course of the audit:

1. Non-adoption of the Accrual Method of accounting for income resulted in uncollected/unrecorded Supervision Fees (SF) for CYs 1998-2003 and the corresponding interests and penalties due from shipping companies/operators estimated at ₱50,147,431.28. Moreover, no interests and penalties were charged from 1999-2003 for the unpaid balance of supervision fees for the years 1998-2001, understating receivable and income accounts in the NG books of accounts of the Central Office.

We recommended that Management enforce collection of prior years' uncollected Supervision Fees and the corresponding interests and penalties amounting to ₱50,147,431.28 and adopt the Accrual Method of accounting for income being prescribed under the New Government Accounting System (NGAS) whereby income shall be recognized when earned and reported in the financial statements in the period to which they have been earned. Bill the concerned shipping companies for interests and penalty charges for unpaid 1998-2001 Supervision Fees.

2. The government has lost an approximate income of at least ₱15.69 million for 2005 due to the issuance of Republic Act No. 9295, otherwise known as the Domestic Shipping Development Act of 2004, repealing the Supervision Fee being collected by MARINA.

We recommended that Management come up with an alternative fee to be approved by the Board as provided for in Section 17 of R.A. No. 9295 and make representations with higher authorities for its implementation to compensate for the lost revenue/repealed Supervision Fees which MARINA used to collect estimated at ₱15.69 million for 2005.

3. MARINA paid its officials and employees unauthorized allowances in the total amount of ₱10,901,520.90, thereby depleting the agency's resources, which could have been utilized for more pressing needs of the Agency.

We recommended that the Authority elevate to the Supreme Court the MARINA payment of COLA differential, the matter to be included among the cases covering national government employees still pending before the Supreme Court for decision. Moreover, Management should set up receivable accounts due from the officials and employees who received various unauthorized allowances and henceforth stop the payment thereof.

4. Several properties donated by Japan International Cooperation Agency (JICA) costing ₱5,652,194.00 and ₱909.00 were not recorded in the books in violation of Section 63 of P.D. 1445, thereby resulting in the understatement of the Property, Plant and Equipment account, and five equipment totaling ₱201,948.00 were not accounted for during inspection.

We recommended that Management record all the donated equipment amounting to ₱5,652,194.00 and ₱909.00 in the books of accounts and account for the five missing properties amounting to ₱201,948.00.

5. Due from Officers and Employees account totaling ₱1,360,937.70 which represent cash advances for official travels have remained unliquidated beyond the reglementary period prescribed under existing rules and regulations, thereby understating the expense account and overstating the total receivables and government equity.

We recommended that Management direct the concerned officers and employees to immediately settle their unliquidated cash advances, and, henceforth, closely monitor the outstanding cash advances and demand the immediate settlement of the same pursuant to pertinent law/regulations. Further, stop the practice of granting additional cash advances to those who have unliquidated balances.

6. The Office Supplies Inventory account includes lost items worth ₱133,185.00, and issued items costing ₱177,572.00, thereby overstating the account by ₱310,757.00.

We recommended that the Chief Accountant record the lost stocks and issued items amounting to ₱133,185.00 and ₱177,572.00, respectively, to fairly present the Office Supplies Inventory account. Henceforth, preparation of Report of Supplies and Materials Issued for issuances and Inventory Custodian Slip for small tangible items is enjoined.

7. Failure to record the depreciation expense amounting to ₱198,985.83 resulted in understated expenses and overstated assets and equity accounts, contrary to NGAS and COA Circular No. 2003-007.

We recommended that the Accountant record in the books of accounts depreciation expenses amounting to ₱198,985.83, and henceforth provide for accumulated depreciation of property, plant and equipment.

The foregoing audit observations and recommendations have been the subject of various Audit Observation Memoranda issued by this Office and were discussed with Management officials and their comments were incorporated in this report, where appropriate.

Status of Implementation of Prior Year's Audit Recommendations

Of the five audit recommendations for calendar year 2004, two were fully implemented, the other two were partially implemented, while one was not yet implemented.