

EXECUTIVE SUMMARY

Introduction

The National Economic and Development Authority (NEDA) was created in 1972 as the central planning agency of the government. It was reorganized on July 22, 1987 in accordance with Executive Order No. 230 and started operations under its reorganized set up on February 16, 1988.

The NEDA consists of the NEDA Board and the NEDA Secretariat. Its powers and functions reside in the NEDA Board which is the country's highest social and economic development planning and policy coordinating body. The functions of the NEDA Secretariat are planning and policy formulation; investment programming; and monitoring and evaluation.

Financial Highlights

	CY 2005	CY 2004	Increase (Decrease)
NCAs Received	429,773,759.79	419,121,711.60	10,652,048.19
Allotment Received	507,838,342.00	450,210,124.73	57,628,217.27
Continuing Appropriations	4,782,974.86	8,416,852.95	(3,633,878.09)
Obligations Incurred	471,131,887.13	453,771,377.32	17,360,509.81
Unexpended Balance	41,489,429.73	4,855,600.36	36,633,829.37

Scope of Audit

The audit covered the transactions of the NEDA for calendar year 2005. The audit aimed to ascertain the fairness and reliability of the agency's financial positions and results of operations.

Auditor's Report

The Auditor rendered a qualified opinion on the fairness of the presentation of the agency's financial statements because cash advances amounting to ₱13,321,860.66 of

NEDA officials and employees and those granted to a Government Owned and Controlled Corporation (GOCC), a Local Government Unit, the NEDA Regional Offices (NROs) and various National Government Agencies (NGAs) in the aggregate amount of ₱28,586,806.10 remained unliquidated thereby overstating the Cash – Disbursing Officer account and the Due from GOCC, LGU, NROs and NGAs accounts and understating expenses. Also, the Cash in Bank - Local Currency, Current Account amounting to ₱4,397,602.56 was not supported with Bank Reconciliation Statement which rendered the account unreliable; the Cash – Disbursing Officer account was understated by ₱2,362,808.23 because cash advances drawn in favor of the Disbursing Officer was recorded as outright expenditure. Also, the Other Assets account was likewise overstated by ₱ 42,030,755.40 due to the failure of Management to adjust and drop from the books the donated unserviceable properties.

Observations and Recommendations

Significant audit observations are summarized below:

1. Cash – Disbursing Officer account at the NEDA Central Office (CO) was overstated by ₱13,321,860.66 because it consisted of unliquidated cash advances, of which ₱2,628,094.68 represented cash advances of NEDA officials and employees who were either retired, resigned and transferred to another agency. Hence, the accuracy of the cash account could not be relied upon. Also the corresponding expenditure accounts were understated.

It is recommended that Management strictly enforce the provisions of Section 89 of PD 1445 and COA Circular No. 97-002 in the granting and utilization of cash advances at the NEDA CO. Management should demand and require the liquidation and / or refund of the cash advances otherwise the provisions of Section 37 of PD 1445 applies.

2. Cash - Disbursing Officer account at NEDA CAR and NRO XI was understated by a total amount of ₱2,362,808.23 because cash advances drawn in favor of the Disbursing Officer for payments of allowances were recorded as outright expenditure and payable respectively.

It is recommended that when a check is drawn in favor of the Regular or duly designated Disbursing Officer the entry should be a debit to Cash – Disbursing Officer and credit to Cash – National – Treasury. The corresponding expenditure accounts will be recorded only upon liquidation and the account, Cash – Disbursing Officer, as a credit entry.

3. Cash in Bank - Local Currency, Current Account at the NEDA CO amounting to ₱3,275,339.07 and at NROs V, VII and VIII amounting to ₱15,840.00, ₱1,194,756.12 and ₱50,733.89, respectively, or a total amount of ₱4,397,602.56 were not supported with Bank Reconciliation Statements (BRS) hence, the accuracy of the Cash in Bank – LCCA in the financial statement could not be relied upon.

It is recommended that Management prepare and submit to COA the monthly BRS as well as the paid checks regularly for verification pursuant to the provisions of Section 74 of PD 1445 and DOF-DBM Joint Circular No. 1-90.

Management of the NEDA CO commented that it was delayed in the submission of the BRS because there was a delay in the release of the bank statements for current account by the Government Servicing Bank (GSB). Management of NROs V, VII and VIII promised to follow up the submission of the bank statements so that they can regularly prepare and submit the Bank Reconciliation Statements.

4. Receivables of NEDA CO from Government Owned and Controlled Corporation (GOCC), Local Government Unit (LGU), National Government Agencies (NGAs) and from Regional Offices remained outstanding / unliquidated in the aggregate amount of ₱27,687,342.10 and at NRO XII - ₱899,464.00 or a total amount of ₱28,586,806.10 which overstated the cash and receivables accounts and understated the expenditure accounts.

It is recommended that pursuant to the provisions of COA Circular No. 94-013 involving grant, utilization and liquidation of funds of NGAs, NEDA shall require the various government agencies to submit reports within ten days after the end of each month / end of the agreed period. These NGAs shall submit to the NEDA the Report of Checks Issued and the Report of Disbursement to report the utilization of funds then NEDA furnish these agencies with copies of journal vouchers taking up the expenditures. NEDA will issue receipt for any unexpended balance remitted by these agencies. It is also recommended that Management of NRO XII exert more effort to communicate and/or coordinate with concerned officials of the agency for the liquidation of the transferred fund before it becomes dormant.

5. Other Assets account was overstated by ₱ 42,030,755.40 at the NEDA CO because it consisted of donated properties not yet dropped from the books and the Inventory and Inspection Report of Unserviceable Property submitted showed only a total of ₱2,254,532.00.

It is recommended that adjustments be made to drop the donated properties from the books. Also, the unserviceable properties be accounted well by conducting a thorough inventory of the unserviceable properties after which the Property Officers and the Accountants should reconcile their records. The unserviceable properties be then disposed of in accordance with the provisions of Section 79 of PD 1445.

The audit observations and recommendations of the NEDA Central Office were discussed with the Director and the Assistant Director of the Administrative Staffs, Chiefs of the Accounting Services, the Financial Services and the Property, Procurement and Transport Services, the Accountants and other concerned officials and employees.

Implementation of Prior Year's Recommendations

Six (25) of the twenty five (25) recommendations of the NEDA contained in last year's audit report were implemented, seven (7) were not implemented and twelve (12) audit recommendations need to be validated.