

National Parks Development Committee

Executive Summary

INTRODUCTION

1. The National Parks Development Committee (NPDC) was created as an executive committee pursuant to Executive Order No. 30 issued on January 14, 1963, an attached agency of the Department of Tourism (DOT) by virtue of Executive Order No. 120 issued on January 20, 1987. It was reorganized with new members of the Committee designated by then President Joseph E. Estrada under Executive Order No. 160 issued on October 13, 1999. Its mandate is to be responsible for the beautification, preservation, and maintenance of Rizal Park, Paco Park, Pook ni Mariang Makiling, and Satellite Projects.

2. Specifically, the NPDC is directed to carry out the following tasks:

- Upgrade and maintain assigned parks including facilities, park grounds and landscape themes, buildings and other structures;
- Develop and implement cultural and educational support programs and services particularly those in support of national and cultural heritage;
- Improve financial viability in support of NPDC's mission;
- Ensure safety, orderliness and cleanliness in the assigned parks;
- Undertake development of new parks; and
- Establish inter-agency linkages in support of agency programs.

FINANCIAL HIGHLIGHTS

3. For calendar year 2005, the NPDC reported collections of ₱29.13 million from rentals for leased spaces, use of facilities, and permit and comfort room fees, showing an increase of 11.4% from its 2004 income of ₱26.14. These were all remitted to the Bureau of Treasury.

4. The NPDC's results of operations and financial condition for CY 2005 with comparative figures for CY 2004 are summarized below:

Table 1
Sources and Application of funds
(In Million Pesos)

Particulars	2005	2004	Increase/ (Decrease)	Percentage
	(in million pesos)			
A. Major sources of funds				
Annual Appropriations-GAA (RA No. 9336)	P 131.77	P 141.48	P (9.71)	(6.8)
Subsidy from National Government				
Notice of Cash Allocation	149.16	132.07	17.09	12.9
Tax Remittance Advice	5.78	5.21	0.57	10.9
B. Applications of Funds				
Personal Services	P 98.97	P 101.95	P (2.98)	(2.9)
MOOE	45.55	41.21	4.34	10.5

Table 2
Financial Condition
(In Million Pesos)

Accounts	2005	2004	Increase/ (Decrease)	Percentage
	(in million pesos)			
Total Assets	P 185.34	P 182.01	P 3.33	1.8
Cash	15.58	10.86	4.72	43.4
Receivables	8.58	8.63	(.05)	(.57)
Inventories	4.98	6.53	(1.55)	(23.7)
PPE	155.78	155.56	0.22	0.14
Other Assets	0.39	0.39		
Total Liabilities – Current	P 28.08	P 26.41	P 1.67	6.3
Equity	P 157.26	P 155.59	P 1.67	1.07

C. Operational Highlights

5. The Committee reported the following major accomplishments for calendar years 2005 and 2004 presented vis-à-vis the targets:

Plans and Targets	Measurement	2005 Accomplishments	Percentage	
			2005	2004
1 Gen. maintenance & supervision of Rizal Park, Paco Park, Pook ni Mariang Makiling, T.M. Kalaw Center Island & Plaza Olivia Salamanca.	5 areas maintained	5 areas maintained	100	100
2 Infrastructure Dev't. & Maintenance	5 infrastructure projects.	5 projects implemented	100	100

D. SCOPE OF AUDIT

6. The audit covers the operations and financial transactions of the NPDC for the year ended December 31, 2005. The objectives of the audit were to ascertain the fairness and reliability of the agency's financial position and results of its operation and determine the extent of compliance with existing laws, rules and regulations. The projects funded out of the financial assistance from other government agencies that were reported as complete were evaluated.

E. AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

7. We rendered a qualified opinion on the fair presentation of the financial statements of the NPDC in view of the accounting deficiencies noted as stated in the Audit Certificate.

F. SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

8. Presented hereunder is the summary of the significant audit observations and recommendations which were discussed in full in Part II of the Report.

- a) The accuracy of the recorded balance of Property, Plant and Equipment (PPE) and Inventory accounts as of year-end totaling ₱155.78 million and ₱4.99 million respectively, could not be ascertained due to non-submission of physical reports.

We recommended that the Committee cause the immediate completion of the inventory taking and necessary reconciliation with the books of

accounts. We also recommended that henceforth, the annual inventory taking be adequately planned and executed at the earliest time possible to ensure the completion and submission of the report on due date. (paras. 34 to 40)

- b) No depreciation was provided for assets Property, Plant & Equipment (PPE) - Land Improvements, Buildings and Other Structures totaling P119.24 million for calendar years 2003 to 2005 due to lack of documents to ascertain the date of their constructions / compositions.

We recommended that the Account exert efforts to locate/trace all the necessary documents relative to the subject assets as basis for the computation of the depreciation that should have been provided for the said period. (paras. 41 to 45)

- c) The year end balance of Cash-in-bank of P9.09 million was not sufficient to cover the funds/collections held in trust by the Committee totaling P11.65 million for remittance to the agencies concerned or for safekeeping until their purposes are served. This is an indication that there had been utilization of funds for purposes other than those for which these were received, amounting to at least P2.56 million.

We recommended the immediate accounting of all the funds held in trust and reconciliation of balances between the cash in banks and its related liability accounts. We also recommend that henceforth, close monitoring of the funds held in trust be made to ensure that these funds are utilized properly in accord with the intended purposes. (paras 11 to 15)

- d) The amounts billed and collected from the concessionaires from contract date to 31 December, 2005 was deficient by P7.03 million because of the non monitoring of compliance of the lessees with the stipulation set forth in the lease contracts on the utilization of leased areas, resulting in the understatement of reported receivable and income in the books of the National Government as at year-end.

We recommended and the Committee concurred to undertake the following courses of action:

- a. Immediately issue supplemental bills for the deficiency noted in the amount due from the concerned concessionaires;*
- b. Cause the amendment of the lease contracts to reflect the actual area occupied by tenants;*

c. Conduct inspection on a periodic basis of rented facilities to ensure strict compliance with the restrictions set forth in the lease contract specifically on the area occupied by the lessees; and

d. Impose sanctions on any violations on the provisions of the lease contract. (paras 29 to 33)

- e) The unexpected balance of P3.37 million from completed projects funded out of the financial assistance received from various government agencies recorded under account "Due to NGAS" were not remitted to the Bureau of Treasury as required under Executive Order No. 337 and implemented by DOF-DBM-COA Joint Circular No. 1-97.

We recommended that the Accountant be directed to remit immediately to the National Treasury the unutilized balance of the assistance in accordance with item 3.1 of DOF-DBM-COA Joint Circular No. 1-97. We also recommended that henceforth, all concerned officials of the NPDC be required to strictly comply with the requirement of the above-stated law and regulation. (paras 53 to 59)

- f) Rentals of P3.24 million from tenants/concessionaires with ceased operations were not collected/remained outstanding as of year end due to deficient billing and collection system.

Moreover, concessionaires whose contracts already expired and with arrearages were still allowed to continue to benefit from the facilities of the Committee on a month to month implied lease contract. The unpaid rentals were allowed to accumulate without pursuing any action against the delinquent tenants/concessionaires, thus there is high risk that these may not be collected.

We recommended and Management committed to undertake the following:

- a. Serve bills or demand letters to the concessionaires whose accounts are not paid on due date;*
- b. Cause the amendment to the existing lease contracts with concessionaires to include a stipulation on the imposition of penalty for late payment of the monthly rentals;*
- c. Execute supplemental/new lease agreements with concessionaires with expired contracts but still continue to use the facilities of the Committee on a month to month implied lease contract, the period of which should be reckoned from the date of expiration of the latest formal lease contract to protect the interest of the government; and*

d. Pursue cases against concessionaires and those with outstanding accounts for the recovery of the amount due from them. (paras.21 to 28)

- g) A disparity of P1.28 million for account “Cash in Bank” – Local Currency Account” was noted between the balance reflected in the General Ledger and the amount recorded in the Subsidiary Ledger as at year end.

We recommended that the Accountant be instructed to identify the cause/s of the disparity between the SLs and the GL balances to come up with accurate bank reconciliation statements for fair presentation of the accounts in the financial statements. (paras 16 to 20)

- h) Taxes withheld from officers and employees of the NPDC and private individuals/companies for services rendered and purchases of goods recorded under account Due to BIR amounting to ~~P0.92 million~~ were not remitted to the Bureau of Internal Revenue (BIR) as required under DOF-DBM-COA Joint Circular No. 1-2000 and Section 81 of the National Internal Revenue Code.

We recommended that the Accountant be directed to strictly comply with the requirements on the remittance of all taxes withheld and collected for the account of the BIR within 25 days from the close of each calendar quarter pursuant to the above-cited regulation/law. (paras 46 to 48)

G. IMPLEMENTATION OF PRIOR YEAR’S RECOMMENDATIONS

9. Two out of the four prior year’s audit recommendations were fully implemented, while two were partially implemented the details of which are presented in Part III of the report.

The implementation of these audit recommendations corrected the deficiencies noted and rendered the financial statements reliable.