

EXECUTIVE SUMMARY

A. *Introduction*

The Office of the Solicitor General (OSG) was established on June 16, 1901 by the first Judiciary Act No. 136 passed by the Philippine Commission on June 11, 1901. It was then known as the Bureau of Justice. Modifications of its creation as well as its functions followed after a series of legal issuances were enacted. It was finally converted from the Bureau of Justice to the Office of the Solicitor General by virtue of Executive Order No. 94 dated October 4, 1947. The Administrative Code of 1987 provides its organizational structure, powers and functions.

The OSG is the “LAW FIRM” of the Republic of the Philippines. As such, it renders legal services to the government, its officers and agents in any official investigations and proceeding or matter requiring the services of a lawyer. The Solicitor General as Chairman of the Special Committee on Naturalization, together with its members has the power to approve, deny or reject applications for naturalization.

B. *Financial Highlights*

The comparative financial condition and the sources and application of funds of the Office of the Solicitor General for calendar years 2005 and 2004 are presented as follows:

	2005	2004	Increase/ (Decrease)
A. Financial Condition			
Total Assets	P 70,822,637.39	P 40,422,248.84=	P 30,400,388.55
Total Liabilities	28,840,419.26	5,378,940.63	23,461,478.63
Government Equity	41,982,218.13	35,043,308.21	6,938,909.92
B. Sources and Application of Funds			
Allotments	P 171,984,435.00	P 177,733,748.28	P(5,749,313.28)
Expenditures	163,393,407.79	170,530,461.01	(7,137,053.22)
Balance	8,591,027.21	7,203,287.27	1,387,739.94

C. *Scope of Audit*

The audit covered the financial transactions and the operations of the agency for the period January 1 to December 31, 2005, pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445. It was conducted on a selective basis and was aimed to determine the propriety of disbursements, reliability and accuracy of the financial reports and

establish the adequacy of the books of accounts in accordance with existing accounting and auditing rules and regulations. It also included other audit techniques and procedures deemed necessary under the circumstances.

D. Auditor's Report

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to management's failure to: a) properly record the transfer of furniture and equipment to other government agencies, costing P593,664.25; b) reclassify the unserviceable properties to Other Asset account, worth P3,047,320.85; c) submit on time the Report on the Physical Count of the Property, Plant and Equipment which prevented the auditor to determine the accuracy of its balance of P85,665,491.70; d) submit adequate supporting documents of various prior year's disbursements totaling P4,631,070.68; and e) implement three of prior years' recommendations.

E. Observations and Recommendations

It is noteworthy to mention that the OSG rendered more judicial services this year, having resolved 21,955 cases against 19,734 in 2004. The audit disclosed some deficiencies which, with the corresponding recommendations, are summarized as follows:

1. Unutilized amount of the OSG contract with DPWH, amounting to P148,961.58, is not yet refunded by the DPWH.

We recommended that management require the DPWH to submit the Liquidation Report, duly audited by the COA-DPWH, and demand for the refund of any remaining unutilized cash advance.

2. Balance of the cash advance, amounting to P7,417.14, of the former Chief Accountant remained unsettled as of December 31, 2005, contrary to Section 179(a) of Government Accounting and Auditing Manual (GAAM), Volume I and Section 89 of P.D. 1445.

Management should adhere strictly to the provisions of Par. (a), Section 179 of the GAAM, Volume I and Section 89 of P.D. 1445. Likewise, adequate measures should be in place to ensure proper and timely accounting and settlement of funds from creditors. Exhaust all possible measures to ensure the settlement of the former Chief Accountant's obligation.

3. Properties worth P3,047,320.85, reported as unserviceable as early as December 31, 2003, are still carried in the books, under Property, Plant and Equipment (PPE), as of December 31, 2005.

We recommended that the Property Officer prepare the necessary document on the unserviceable properties, under its accountability, for proper disposal. On the other hand, the Accountant should reclassify the said unserviceable properties from PPE to Other Asset account pending their disposal, as required by the NGAS.

4. Transfer of Furniture and Equipment, costing P593,664.25, to other government agencies, were not yet taken up in the books, thus affecting the accuracy of the PPE account.

We recommended that the Property Officer submit to the Accountant the pertinent documents in connection with the transferred properties for recording of the same. However, if gathering of documents is not probable, considering that many years had already lapsed and the persons involved are no longer in the service, management should request from the Commission on Audit, the authority to drop these properties from the books, in accordance with COA Circular No. 97-001.

5. Accuracy of the physical count of PPE valued at P85,665,491.70 was not verified due to the delay of receipt of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE).

We recommended that the Accountant and the Property Officer reconcile their records and ensure the correctness, validity and accuracy of the balances of the affected accounts at any given period. Management should request from the Commission on Audit, the authority to drop properties from the books, if warranted, in accordance with COA Circular No. 97-001, as a result of the reconciliation.

6. Payment for legal services rendered, from September to December 17, 2004, by ROCO KAPUNAN MIGALLOS PEREZ & LUNA LAW OFFICES, as consultant for the government's cases involving NAIA Terminal 3, amounting to P1.7M, was not supported with complete and proper documentations.

We recommended that management submit the original or authenticated copy of the consultancy contract and other pertinent documents, to show the necessity, propriety and legality of the payment being claimed, pursuant to Secs. 4(6) and 4(2) of PD 1445 and COA Circular 89-299.

7. Official calls paid by the OSG amounting to P2,931,070.68, in 2004, are not supported by the required certification.

We recommended that management should strictly implement Office Order No. B-15-04, the internal guidelines in availing NDD/IDD and operator-assisted PLDT services.

The above observations and recommendations were discussed with concerned agency officials. Management's comments, views, and reactions were incorporated in the report, where appropriate.

F. Implementation of Prior Years' Recommendations

Evaluation of management's compliance with prior years' recommendations shows that four (4) of nine (9) have been fully implemented, two (2) partially implemented and three (3) have not been complied, with breakdown as follows:

Year	Implemented	Partially Implemented	Not Implemented	Totals
2003	1	0	2	3
2004	3	2	1	6
Totals	4	2	3	9

In view of the implementation by management of the recommendation of insuring all insurable properties with the General Insurance Fund of the GSIS and renew the same yearly, the OSG properties were protected against probable risks/losses, while the adjustment of the prior years' depreciation arising from the revised useful life of the agency's assets, pursuant to COA Circular 2004-005, corrected the understatement of the Equity.

The balances of the affected accounts due to their full implementation of prior years' recommendations were now accurately reflected in the current year's financial statements.

The recommendations which were not yet implemented are reiterated in Part II - Observations and Recommendations of this report.