

EXECUTIVE SUMMARY

INTRODUCTION

The Office of the Vice President (OVP) was organized pursuant to Proclamation No. 3 dated March 25, 1986; Article VII of the 1987 Constitution and Executive Order No. 240 dated July 24, 1987. OVP was organized to provide the necessary technical support services to the Vice President of the Philippines so as to enable him to perform his functions effectively and efficiently being the second highest official in the Executive Branch. His Excellency Noli "Kabayan" de Castro heads the Office and is assisted by Atty. Jesse H. T. Andres, Chief of Staff; Atty. Raul M. Luna, Deputy Chief of Staff; and Atty. Rodolfo Ma. A. Ponferrada, Assistant Chief of Staff. As of December 31, 2005, OVP has a total personnel complement of 122, consisting of 3 presidential appointees, 66 permanent, 18 coterminous, 12 casuals, 8 contractual, 13 consultants and 2 contracts of services.

FINANCIAL HIGHLIGHTS

A comparative analysis relative to the sources and application of funds for the last two years is presented below:

| | 2005 | 2004 | Inc/Dec |
|-----------------------------|---------------|---------------|----------------|
| SOURCES AND | | | |
| APPLICATION OF FUNDS | | | |
| Current Year Allotment | 77,109,779.00 | 67,695,619.00 | 9,414,160.00 |
| Continuing Appropriation | 7,002,314.94 | 6,000,298.25 | 1,002,016.69 |
| Total Allotment Received | 84,112,093.94 | 78,190,917.25 | 5,921,176.69 |
| Obligations Incurred | 60,978,940.69 | 66,235,583.28 | (5,256,642.56) |
| Unexpended Balance | 23,133,153.25 | 11,955,333.97 | 11,177,819.28 |

SCOPE OF AUDIT

An audit was made on the accounts and operations of OVP for the period January 1 to December 31, 2005. The objective of the audit was to ascertain the propriety of financial transactions and determine the fairness of presentation of the financial statements.

AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the non-reconciliation of the book balances of the accounts Property, Plant and Equipment and Office Supplies Inventory with the physical

inventory; non-provision of depreciation for the Property, Plant and Equipment; non-liquidation of the previous year's cash advances; and grant of Collective Negotiation Agreement Incentive to employees not belonging to the rank-and-file category.

OBSERVATIONS AND RECOMMENDATIONS

The findings and recommendations of the Auditor are as follows:

1. Favorable observation was noted in the submission of the required reports.
2. Reconciliation of the Property, Plant and Equipment with the physical count was not completed; hence, the accuracy of the balance amounting to P31,985,651.20 could not be established.

It is recommended that the Accounting and Property Divisions continue the reconciliation of the property.

3. Accumulated depreciation was not provided for Property, Plant and Equipment valued at P10,408,649.93.

It is recommended that the Accounting Division provide the required depreciation using the Straight Line Method.

4. Correctness of the balance of Office Supplies Inventory valued at P2,017,826.40 was not ascertained due to the non-completion of the reconciliation of the book balance with the physical count.

It is recommended that the Accounting and Property Divisions continue to locate all the necessary documents pertaining to the purchases and issuances of supplies and materials of prior years and analyze the available documents to reconcile the account.

5. No liquidations were made during the year for the cash advances for traveling expenses granted in 1983 to 1989 amounting to P255,807.06; thus, the current assets are overstated.

It is recommended that request for write-off is submitted to the Commission on Audit together with all the documents showing that the accountable officers can no longer be located despite efforts on the part of management.

6. Collective Negotiation Productivity Incentive was granted to employees not falling under the category Rank-and-File for CY 2005 in the amount of P682,000.00.

It is recommended that the result of the clarification on Administrative Order No. 135 made by OVP to the Office of the President is submitted for the guidance of the audit team.

The above findings and recommendations were discussed with concerned officials of the Office. Management views and comments were included in the report, where appropriate.

IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS

All the five (5) prior year's audit recommendations were partially complied with by management. Comments and observations pertaining to audit finding nos. 1 to 4 of CY 2004 AAR are reiterated in the Observations and Recommendations portion of this report since the deficiencies noted have material effects on the Financial Statements for the current year.

There was a reduction of P510,073.15 in the unreconciled difference in the Office Supplies Inventory from P1,952,466.02 in 2004 to P1,442,392.87 in 2005. The lists of the PPE transferred from the Presidential Anti-Crime Commission, Office of the Prime Minister, and Philippine Retirement Agency were updated to record transfers and disposals and for preparation of subsidiary ledgers. Accumulated depreciation was provided for Construction Equipment, Firefighting Equipment and Accessories, and Technical and Scientific Equipment. The balance of the Due to BIR account was reduced to P1,480.48 in 2005 from P50,015.32 in 2004 and the Due to GSIS account was reduced to P0.06 in 2005 from P3,193.42 in 2004.

It is reiterated that management continue to trace the balances of the Due to BIR and Due to GSIS accounts and effect the necessary adjustments, if necessary.