

EXECUTIVE SUMMARY

INTRODUCTION

The **Philippine Council for Health Research and Development (PCHRD)** is one of the five sectoral councils of the Department of Science and Technology (DOST) created by virtue of Executive Order No. 784 dated March 17, 1982. It is mandated to lead, direct and coordinate Science and Technology (S&T) activities in the health sciences so as to improve the health and nutritional status of every Filipino.

The PCHRD is a nine-member Governing Council headed by the DOST Secretary who formulates and reviews policies, plans, programs, and strategies for health research. Its members consists of the DOH Secretary, the Chancellor of the University of the Philippines Manila, the Executive Director of the National Nutrition Council, the PCHRD Executive Director, and four private sector representatives.

The Council Executive Staff is headed by the Executive Director, Dr. Jaime C. Montoya and four Division Chiefs which undertakes the agency's policy thrusts and programs, namely: 1) Research Management and Development Division (RMDD); 2) Human Resources and Institution Development Division (HRIDD); 3) Research Information, Communication, and Utilization Division (RICUD); and 4) Finance and Administrative Division (FAD).

FINANCIAL HIGHLIGHTS

For the year 2005, PCHRD received total allotment of P41,684,453 and incurred obligations amounting to P39,435,562, leaving an unexpended balance in the amount of P2,248,891. The Statement of Allotment, Obligations & Balances (SAOB) is presented in Annex 2. The agency also received additional financial assistance from national government agencies and non-government organizations to support specific projects amounting to P8,165,530. A detail of Funds from Other Sources is presented in Annex 3. In 2004, its allotment totaled P38,623,390 with expenditure amounting to P36,767,749 resulting to unobligated balance of P1,855,641.

The Agency's total assets, liabilities and residual equity as of December 31, 2005 as compared with the previous year are presented below:

Particulars	2005	2004	Increase/(Decrease)	Percentage
Assets	P17,799,734	P13,455,106	P 4,344,628	24%
Liabilities	4,219,119	3,697,531	521,588	12%
Residual Equity	P13,580,615	P 9,757,575	P 3,823,040	28%

OPERATIONAL HIGHLIGHTS

For CY 2005, PCHRDs significant accomplishments in line with the DOST Administrative Order No. 003, Series of 2005 with the implementation of the Medium-Term Philippine Development Plan (MTPDP) of the government has adopted Major Final Outputs (MFOs) that directly link its budget are the following:

MFO 1 – Diffusion of Knowledge and Technologies

- Generated royalties from the licensee, Pascual Laboratories, Inc. (PLI) from the sales on lagundi and sambong tablets and lagundi pediatric syrup.

- Drafted license agreement between Phil. Institute of Traditional and Alternative Health Care (PITAHC) and PCHRD on the transfer of medicinal plant products: lagundi, sambong and yerba buena tablets, akapulko lotion and lagundi pediatric syrup.
- Facilitated the License Agreement with Veheilen Pharmaceuticals, Inc.
- Provided information to Herbs and Nature, Inc. re commercializable technologies in response to their intention to adopt the production technologies of lagundi, sambong and yerba Buena tablets.
- Supported the preparation of Technology Transfer Document (TTD) for Ampalaya Tablets.

MFO 2 – Generation of New Knowledge and Technologies

- National Integrated Research Program on Medicinal Plants (NIRPROMP)
- A randomized controlled trial on the use of Virgin Coconut Oil (VCNO) for the prevention of neonatal sepsis among pre-term neonates at the UP-PGH Medical Center
- In-vitro Susceptibility Test of TB Isolates to Virgin Coconut Oil
- Iodine Meter for Iodized Salt
- Antibody Biotechnology and Liposome Drug Delivery Technology for Experimental Therapeutics of Breast Cancers
- Technology generation and transfer of margarine fortified with vitamins A and B1, iron, iodine, and omega-3 and -6 fatty acids

MFO 3- Development of Human Resources for the S&T Sector

- Provided assistance to six (6) new PCHRD Scholars
- Monitored 26 on-going PHRD Scholars
- Monitored seven (7) Graduated Scholars
- Provided assistance to two (2) new thesis/dissertation grantee
- Monitored five (5) grantees who completed their thesis/dissertations

MFO 4 – Provision of Quality S&T Services

- Library Services
- E-Health Communities
- Telehealth/Multipurpose Community Telecenters (MCTs)
- Information Dissemination

Presented in Annex 1 are the detailed targets, accomplishments and percentage of accomplishment for the year 2005 vis-à-vis year 2004.

SCOPE OF AUDIT

An examination was made on the accounts and operations of the Philippine Council for Health Research and Development for calendar year 2005. The audit was aimed to ascertain the fairness and reliability of the agency's financial position and results of operations. The audit included among others, verification of the Agency's compliance with existing accounting and auditing rules and regulations and generally accepted principles of accounting.

AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of the presentation of the Financial Statements due to the unrecorded project transactions because of the failure by

the proponents/implementing agencies to submit the liquidation reports totaling P8,703,329.12 and the shortage of P2,856,721.83 in the inventory listing of Technical & Scientific Equipment.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

The following are the significant observations and recommendations:

1. Unreliable balance of Due from NGAs Account amounting to P8,703,329.12

We recommend that recipient/grantee of NGAs/NGOs/POs be reminded of the required AFR. The provisions of AO#006 Series of 2004 should be disseminated to the accountants and project leaders of the grantees.

2. Long outstanding balance of completed/terminated scholarship amounting to P1,092,315.29

We recommend that extensions of scholarship grants be granted only in highly meritorious cases and that refund of scholarship assistance be undertaken by the recipient/schools/institutions and the scholar/grantee.

3. Failure of the recipient institutions to refund the amount of P268,745.40 for abandoned scholarship

We recommend that the three institutions/recipient of the financial assistance be required through DOST Legal Office to repay immediately the total long outstanding grants to Mr. Pulido, Mrs. Reynoso and Mrs. Labis.

4. Fund transferred to the private sector amounting to P4,298,194.07 was recorded as Due from NGAs

We recommend that necessary adjusting entries be made to reflect the amount released to NGOs/POs, liquidation and return of unexpended balances.

5. Accounting and Property Sections failed to reconcile their records resulting to a shortage of P3,073,071.83.

We recommend that these discrepancies be immediately reconciled and the necessary adjustment be effected to correct PPE Account.

The above observations and recommendations contained in this report were discussed with concerned officials of the Agency.

STATUS OF IMPLEMENTATION BY THE COUNCIL OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

The Audit Team has followed up and validated the actions taken by PCHRD to implement the audit recommendations as contained in the Annual Audit Report for the year ended December 31, 2004. Of the three (3) audit recommendations, two (2) recommendations were fully implemented and 1 is still on going. This audit recommendation creates awareness and initiative on the part of management to strictly enforce the submission of the required AFR for the reconciliation in the books of account. Details on the actions taken by PCHRD on the audit recommendations and validation procedures adopted by the Auditors are presented in Part III of this report.