

## EXECUTIVE SUMMARY

### A. INTRODUCTION

On June 7, 2002, President Gloria Macapagal-Arroyo signed Republic Act No. 9165 or the Comprehensive Dangerous Drug Act of 2002, which took effect on July 4, 2002. The Act reorganized then Philippine drug law enforcement system that gave birth to the creation of Philippine Drug Law Enforcement Agency (PDEA), which will be the lead agency in the campaign against illegal drug trafficking and drug abuse in the country.

In line with this, PDEA was tasked to initiate and undertake a national campaign for drug prevention and control programs in coordination with other government law enforcement agencies and other instrumentalities of the government, private organizations, religious, and the community in particular.

At present, PDEA is headed by Undersecretary Anselmo S. Avenido, Jr. designated as Director General, assisted by two Deputy Director Generals, both with the rank of Assistant Secretary. It has four national support services to provide administrative and operational support, namely: The PDEA Laboratory, PDEA Academy, Operation Support Service and Special Enforcement Service. The agency also maintains 16 regional offices to carry out its functions at the regional level. As of December 31, 2005, a total of 1,082 manpower complement composed the organizational structure. Almost all of its personnel are either borrowed or detailed from other government agencies.

|                                 |              |
|---------------------------------|--------------|
| PNP organic officers            | 672          |
| PNP Non-uniformed personnel     | 82           |
| Contractual employees           | 167          |
| NBI/BJMP/BFP Civilian personnel | <u>166</u>   |
| Total                           | <u>1,082</u> |

### B. FINANCIAL HIGHLIGHTS

The following are the PDEA's assets, liabilities and government equity, together with the information on the sources and application of funds, to wit:

| <u>Group of Accounts</u> | <u>2005</u>    | <u>2004</u>     | <u>Increase/<br/>(Decrease)</u> |
|--------------------------|----------------|-----------------|---------------------------------|
| Assets                   | 193,321,755.68 | P224,467,742.29 | (P 31,145,986.61)               |
| Liabilities              | 5,238,974.03   | 3,806,586.36    | 1,432,387.67                    |
| Government Equity        | 188,082,781.65 | 220,661,155.93  | (P 32,578,374.28)               |

| <b><u>Sources and Application of Funds</u></b> |                    |                    |  |
|--|--------------------|--------------------|--|
| <b><u>Sources</u></b>                          | <b><u>2005</u></b> | <b><u>2004</u></b> | <b><u>Increase/<br/>(Decrease)</u></b> |
| Allotments Received                            | 151,648,344.00     | P147,044,526.00    | P 4,603,818.00                         |
| NCA Received                                   | 145,328,069.00     | 164,164,443.00     | (18,836,374.00)                        |
| PCSO Standby Funds                             | -0-                | 8,000,000.00       | ( 8,000,000.00)                        |
|  |                    |                    |  |
| <b><u>Application</u></b>                      | <b><u>2005</u></b> | <b><u>2004</u></b> | <b><u>Increase/<br/>(Decrease)</u></b> |
| Total Expenditures                             | 167,528,493.72     | P251,105,234.41    | P(83,576,740.69)                       |

### **C. SCOPE OF AUDIT**

The audit covered the financial transactions and operations of PDEA for CY 2005. The objectives of the audit were to ascertain the accuracy of financial records and reports and the fair presentation of the financial statements of PDEA as of December 31, 2005. It was also made to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent considered necessary to form an opinion on the financial statements.

### **D. AUDITOR'S REPORT**

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the deficiencies noted in the Financial Statements discussed in detail under Part II of this report. These deficiencies materially affected the financial presentation of the assets and government equity accounts.

### **E. OBSERVATIONS AND RECOMMENDATIONS**

1. Cash advances granted to special disbursing officers totaling P46,828,500.00, remained unliquidated at year-end due to the practice of granting additional cash advances without first liquidating the previous ones, resulting in the overstatement of cash and receivable accounts while understating the appropriate expense accounts.

We recommend the strict monitoring of granting cash advances only after the previous ones had been liquidated as required under Section 89 of PD 1445.

2. The validity, accuracy and existence of Office Supplies Inventory valued at P507,307.88 as at year-end could not be ascertained due to erroneous recording; Report of Supplies and Materials Issued were not supported with the Requisition and Issue Slips; non-conduct of physical count of inventories un-updated and unreconciled record, thus, rendering the related account balances unreliable.

We recommend that management:

- a. Require the Accounting Unit to review the noted difference in the entries and coordinate with the Logistics Management Service for any necessary adjustment.
  - b. Require the Accounting Unit and the Logistics Management Service to regularly update and reconcile their records.
  - c. Require the Supply Accountable Officer to regularly submit the RSMI with complete supporting documents to the Accounting Unit and conduct the physical count of inventories.
3. The balance of the *Gasoline, Oil and Lubricant Expenses* account was overstated by P1,479,382.02 due to the failure of management to properly compute the cost of gasoline issued and to record the utilization/issuance in Region IX while the *Gasoline, Oil and Lubricant Inventory* account was understated by the same amount.

We recommend that management require the Chief Accountant to prepare the necessary adjustments in order to reflect the correct balances of the affected accounts.

4. Internal control system over the inventory of gas and oil accounts is weak because reporting of gas consumption was based only on the RIS and RSMI submitted by the recipients/end-users without the corresponding report by the gas station of actual issuances made to the agency as of a given date.

We recommend that management improve the existing Gas and Oil Supply Management System, vis a vis the noted deficiencies in order to reflect reliable balances of the affected accounts and to determine the actual consumption of the agency for use in budgeting and other decision-making purposes.

5. *Cash in Bank – Local Currency –Savings Account* was erroneously recorded as *Cash in Bank- Local Currency –Current Account* resulting in the understatement of *Cash in Bank -Local Currency- Saving Account* and overstatement of *Cash in Bank-local Currency-Current Account*.

We recommend that management require the Chief Accountant to prepare the necessary adjustments in order to reflect the correct balances of the affected accounts.

**E. IMPLEMENTATION OF PRIOR YEARS' RECOMMENDATIONS.**

We noted that out of six audit recommendations contained in the CY 2004 AAR, two were fully implemented, three were partially implemented and one was not implemented.