

EXECUTIVE SUMMARY

Introduction

The Philippine Institute of Volcanology and Seismology (PHIVOLCS) was known before as the Commission on Volcanology (COMVOL) which was created by virtue of Republic Act No. 766 in 1952 following the violent eruption of Mt. Hibok-hibok. The COMVOL was primarily tasked to safeguard life and property against volcanic eruptions, earthquakes and other geotectonic phenomena and its accompanying hazards. In 1984, by virtue of Executive Order No. 984, Seismology, or the science that deals with earthquakes, which used to be a concern of Philippine Atmospheric Geophysical and Astronomical Office (PAGASA), was transferred to the Commission.. Thus, the Commission was renamed Philippine Institute of Volcanology and Seismology or **PHIVOLCS**, in 1987, the NSTA including PHIVOLCS underwent another reorganization by virtue of Executive Order No. 128. The NSA was structurally and functionally transformed into a Department of Science and Technology (DOST) with cabinet rank. At present, PHIVOLCS is a line agency under the Department of Science and Technology.

Mandate

As specified in Executive Order No. 128, PHIVOLCS has been mandated to perform the following functions:

- Predict the occurrence of volcanic eruptions and earthquakes and their related geotectonic phenomena.
- Determine how eruptions and earthquakes shall occur and also areas likely to be affected.
- Exploit the positive aspects of volcanoes and volcanic terrains in furtherance of the socio-economic development efforts of the government.
- Generate sufficient data for forecasting volcanic eruptions and earthquakes.
- Formulate appropriate disaster-preparedness plans.
- Mitigate hazards of volcanic activities through appropriate detection, forecast and warning system.

Organization set-up

The PHIVOLCS is headed by Director Renato U. Solidum, Jr. The Deputy Director position is occupied by Mr. Bartolome C. Bautista. There are six divisions namely: Office of the Director, Finance and Administrative Division, Volcano Monitoring and Eruption Prediction Division, Geology, Geophysics, Research & Development Division, Seismological Observation & Earthquake Prediction Division, Geologic Disaster Awareness & Preparedness Division. The Institute has 232 regular plantilla positions, 206 were filled-up while 26 are vacant.

Financial Highlights

	2005	2004	Increase(Decrease)
Assets	836,112,498.16	875,652,691.21	(39,540,193.05)
Liabilities	11,636,475.38	23,966,943.83	(12,330,468.45)
Government Equity	824,476,022.78	851,685,747.38	(27,209,724.60)

Sources and Application of Funds

For Calendar Year 2005, the Philippine Institute of Volcanology and Seismology was authorized a total appropriation of P72,052,000.00 under Republic Act No. 9206 as re-enacted. However, total releases during the year amounted to P86,513,497.00.

Current Year Allotment	2005	2004	Increase (Decrease)
Personal Services	57,294,070.38	52,766,814.12	4,527,256.25
Maintenance and Operating Expenses (MOOE)	29,219,426.62	43,025,347.02	13,805,920.40
Capital Outlay		43,652.00	(43,652.00)
TOTAL	86,513,497.00	95,835,813.14	(9,322,316.14)

During the year, the Institute incurred total expenditures of P86,323,189.64, leaving an unexpended balance of P190,307.36 and received miscellaneous income from sale of books, scraps, photocopies, and educational tour fees amounting to P378,983.09. Likewise, PHIVOLCS received funds amounting to P15,000,346.15 during the year to support operation and special projects from different agencies and disbursed P7,862,963.41 leaving a balance of P7,137,382.74 (Annex 1).

Operational Highlights

Among the Institute's major accomplishments for the year are as follows:

MAJOR PROGRAMS	Performance Indicators	2005 Targets	2005 Accomplishment	% of Accomplishment
Agency MFO- Provision of Quality S&T Services (DOST MFO 4)	<ul style="list-style-type: none"> Number of volcano and earthquake monitoring stations operated and maintained 	64	64	100
Volcano and earthquake monitoring and warning				

MAJOR PROGRAMS	Performance Indicators	2005		% of Accomplishment
		Targets	Accomplishment	
Information dissemination, disaster preparedness and S&T Services	• Number of specialized monitoring stations operated and maintained	28	28	100
	• Number of active volcanoes monitored	8	8	100
	• Number of earthquakes recorded	As recorded	7,877	-
	• Number of earthquakes plotted	As possible	2,226	-
	• Number of volcano/earthquake bulletins, updates and advisories issued	As necessary	859	-
	• Number of seminars/workshop conducted on disaster preparedness	1	10	900
	• Number of information and education campaign (lectures) conducted	200	277	138
	• Number of earthquake drills conducted	0	3	-
	• Number of exhibits conducted/installed	3	6	267
	• Number of new information materials developed	3	6	200
	• Number of clients served for library services	350	380	109
	• Number of clients served for S&T information services	240	312	130

MAJOR PROGRAMS	Performance Indicators	2005	% of	
		Targets	Accomplishment	Accomplishment
Agency MFO 2- Generation of New Knowledge & Technologies (DOST MFO 2)	• Number of clients served for hazards assessment services	120	360	300
	• Number of hazards maps generated/updated	4	15	375
Volcano and earthquake hazards assessment and disaster reduction	• Number of technical reports generated	10	10	100

Scope of Audit

The audit covered the review of accounts and operations of the Philippine Institute of Volcanology and Seismology for the year ended December 31, 2005. The audit was conducted to ascertain the propriety of disbursements, the fairness and reliability of the agency's financial position and results of operations as well as the agency's adherence to prescribe policies and procedures and its compliance with laws, rules and regulations. The audit was also conducted to determine if the agency's programs, projects and activities were carried out in an efficient, economical and effective manner.

Opinion in the State Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the Financial Statements due to the inaccuracy of the balance of Property, Plant and Equipment totaling P811,519,567.05 which could not be ascertained because the physical inventory of property was not completely undertaken; unrecorded donated equipment from the Government of Japan under JICA-Phase II B Project amounting to P395,030,157.34; and inaccuracy of the balance of Office Supplies Inventory totaling P998,186.19 due to the unrecorded issuance of supplies and materials.

Summary of Significant Findings and Recommendations and Favorable Observations

For the aforementioned exceptions, the auditor recommended that the Management officials should require the complete physical inventory taking and accordingly, the Accountant should reconcile accounting records with physical inventory reports, make representation with the Department of Budget and Management for issuance of SARO and Non-Cash

Availment Authority and thereafter prepare the Journal Entry Voucher to effect recording of the donated equipment; and record the cost of supplies and materials in the Office Supplies Inventory Account, and reconcile with property records. In addition, the following are the other significant findings and recommendations:

1. Cash Advances granted to Officers and Employees totaling P870,751.80 remained unliquidated as of December 31, 2005 because management failed to adopt an effective monitoring system and to enforce compliance with rules and regulations on cash advances, resulting in the accumulation of unliquidated cash advances and understating traveling expenses. Management should adopt an effective monitoring system and enforce compliance to rules and regulations to insure the immediate liquidation of cash advances. Plan the travel in advance except in emergency situation and refrain from granting additional cash advance when previous advances were not yet liquidated.
2. Property, Plant and Equipment amounting to P691,797,458.91 were not covered with insurance due to lack of funds thereby exposing government properties to risk in violation with the provisions of COA Circular No. 92-390 dated November 12, 1992. Management officials should give priority to the mandatory expenses of the office like insurance. See to it that the mandatory requirements of the Office especially those that play a significant role in the attainment of the mandates of the office are not being sacrificed. Management officials should make representation with the Department of Budget and Management regarding the funds for the insurance of government property.
3. Payment of Hazard Pay, Subsistence and Laundry Allowance (SALA) amounting to P520,126.03 and P577,419.17, respectively were suspended and P248,368.20 was disallowed due to non-compliance of requirements and in violation of Sections 5.4.4 and 6.2 of the Implementing Rules and Regulations (IRR) of RA No. 8439. The Accountant should deduct the excess payment of SALA and Hazard Pay of concerned employees from their salaries or require them to refund the same.
4. There were three (3) accounts which were not moving for more than five (5) years amounting to P2,651,913, thus, the validity of these accounts cannot be ascertained. Dormant accounts shall be dropped from the books only on the basis of an authority granted by COA and shall be transferred to the Registry of Account Written-Off (RAWO).
5. 1,633 pieces of books entitled "Fire and Mud" authored by Newhall and Punongbayan, costing P1,240,328.60 remained unsold as of December 31, 2005, which were being sold at 175% above the production cost thus restricting the distribution of the books, hence, one of PHIVOLCS project objective to produce and distribute the monographs for ready reference and to advertise successes of the scientific and civil defense communities was not completely attained. Management should advertise/circularize or inform the Commission on Higher Education (CHED) or Department of Education (DEPED) and other school authorities the availability of

that book for distribution free of charge as an informative Library Reference book re: information dissemination on the hazards of earthquake and volcano eruption. Since the production cost have been earned through sales and royalty, donating them to the schools would be best to prevent further obsolescence, maximize their usefulness, and utilize the space used in the safekeeping of the books to other uses.

The above-mentioned findings and recommendations were discussed with concerned officials of the Institute. We are please to note their favorable reactions with the assurance to adopt better procedures/policies to stop similar errors in the future.

Status of Implementation by Management of Prior Year's Audit Recommendations

Out of the six prior years' audit recommendations embodied in the 2004 Annual Audit Report, the Institute partially implemented two recommendations, three are on-going and one was not implemented.