

EXECUTIVE SUMMARY

Introduction

The Commission on Population (POPCOM) was created and mandated as the central coordinating and policy making body of the government in the field of population. At present, it is under the Department of Health (DOH) pursuant to Executive Order No. 188 dated March 24, 2003.

In 1969, Executive Order No. 171 created a 22-member Commission on Population mainly to address the increasing list of concerns associated with population growth. Since then, Executive Order No. 233, RA No. 6365, PD No.79 and other enabling acts, orders, or decrees were issued for other population policies.

The agency had been under the supervision and jurisdiction of the Office of the President in 1971; National Economic and Development Authority in 1972; Department of Social Work and Development in 1987; back to the Office of the President in 1990; back to NEDA in 1991; and to the DOH in 2003 up to the present per EO 188.

The Commission on Population is composed of the Main Office and 15 Regional Population Offices (RPOs): RPOs I-XII, CARAGA, Cordillera Administrative Region (CAR) and National Capital Region (NCR). As of December 31, 2005, the Main Office and the 15 RPOs had 358 personnel complement.

Financial Highlights

Particulars	2005	2004	Increase (Decrease)
Income	₱ 115,450,912.06	₱ 112,484,008.41	₱ 2,966,903.65
Expenses	119,476,479.98	118,360,579.53	1,115,900.45
Additional Funds:			
UNFPA	14,225,976.21	43,075,333.09	(28,849,356.88)

Operational Highlights

<u>Program/Project/Activity</u>	<u>Target</u>	<u>Accom- plishment</u>	<u>Percentage (%) of Accomplishment/ Remarks</u>
Coordination of population policy and program development to attain a desired and rational population growth and distribution.			
1. Coordination of the implementation of approved national, sectoral and regional population plans and programs:			

<u>Program/Project/Activity</u>	<u>Target</u>	<u>Accom- plishment</u>	<u>Percentage (%) of Accomplishment/ Remarks</u>
*Drafting/Revising the Philippine Population Management Program (PPMP) Directional Plan (DP) for 2005-2010	1	1	100% - still for official indorsement of the President
*Monitoring of the adoption of POPDEV indicators by the RPOs and LGUs	27	27	100%
*Conducting national and regional planning workshops, consultation meetings and dialogues with partner agencies, NGOs and LGUs	80	248	310%
*Conducting/monitoring advocacy events/activities at the national & regional levels	39	96	246%
*Developing advocacy/IEC materials	64	53	83%
2. Provision of grants, subsidies, and contributions in support of the population programs.			
*For conducting research projects/workshops	22	43	195%
3. Formulation and development of long range and annual population and family planning plans and programs and coordination of the implementation of national population policies			
*Designing/analyzing Planning Monitoring & Evaluation Information System (PMEIS) & Communications and Advocacy Information System CAIS)			On-going
*Finalizing/presentation of Philippine Population Management Program (PPMP) Expenditure questionnaire & survey			On-going

Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of POPCOM for the year ended December 31, 2005, to determine the fairness of presentation of the financial statements, or propriety of the financial transactions in accordance with applicable laws, rules and regulations. A review of agency performance was also undertaken to determine the operational economy and efficiency of some agency activities.

Auditor's Report

A qualified opinion is rendered on the agency's financial statements due to the doubtful validity and correctness of the Inventories and the Property, Plant and Equipment (PPE) accounts amounting to P42,171,376.97 and P95,660,049.66, respectively, caused by inadequate records and unreconciled discrepancies between the inventory report and the accounting records. The adjustments during the year were only minimal and immaterial.

Summary of Significant Audit Observations and Recommendations

1. Property, Plant and Equipment (PPE)

Property, Plant and Equipment (PPE) per physical inventory reports amounted to ₱54,367,595.29 while PPE accounts per books totaled ₱95,660,049.66 showing a discrepancy of ₱41,292,454.37. Obsolete/unserviceable property items amounting to ₱2,779,609.32 were also included in the financial statement totals for PPE, thus, making the account more unreliable.

We recommend that the reconciliation of the PPE accounts be undertaken continuously pursuant to Sections 12 and 42 of the NGAS Manual, Volume II, which provide that the physical inventory of PPE, property records and PPE ledger cards of the Accounting Unit must reconcile.

Physical inventory taking of obsolete/unserviceable PPE should likewise be conducted and the corresponding Inventory and Inspection Report on Unserviceable Property (IIRUP) should be prepared, subject to disposal/appraisal by the authorized agency committee and further review of COA Technical Audit Specialist. In the meantime that these assets are not yet disposed of, reclassify them to Other Assets account, pursuant to Section 143 of the NGAS Manual, Volume III.

2. Inventories Account

The validity of the Inventories account amounting to ₱42,171,376.97 could not be determined due to the absence of the Physical Inventory Report, stock cards or supplies ledger cards and previous years' records at the POPCOM Main Office and NCR; and the

unreconciled difference between the physical inventory report and accounting records in the RPO XI, thus affecting the fair presentation of the said accounts in the financial statements.

We recommend that the concerned Supply Officers and the Accountants should reconcile their records pursuant to Section 41 of the Manual on the New Government Accounting System (NGAS), Volume II. The physical inventory report should likewise be reconciled every six (6) months with the stock cards and the supplies ledger cards, and any discrepancy should be verified and adjusted accordingly.

3. *Receivables*

A Unliquidated Cash Advances – ₱813,637.90

Cash advances totaling ₱813,637.90 were not liquidated/settled immediately or within the prescribed reglementary period or when the purpose for which the cash advance was granted had been served.

We recommend that concerned Heads of POPCOM offices should require all officials and employees to liquidate their cash advances immediately after the purpose for which these were granted had been served. Discontinue the practice of granting additional cash advances if the previous ones were not yet liquidated. In the event of any failure to render an accounting or liquidation of their cash advances within the prescribed period, demand letters should be sent to them. Withhold their salaries pursuant to COA Circular No. 97-002 dated February 10, 1997.

B Unsettled Other Receivables Account – ₱525,822.95

Other Receivables totaling ₱525,822.95 representing audit disallowances and unrecorded receivables amounting to ₱216,087.55 and ₱309,735.40, respectively, have been long outstanding and uncollected for more than two years, rendering the reliability and collectibility of the affected accounts, doubtful.

We recommend that the Accountant should intensify the collection of the disallowances by exhorting efforts to personally contact, follow up and monitor collection of receivables from liable persons, including the guarantor for the scholarship service contract, and effect the necessary adjustments in the books. The agency head should also direct its employees to settle the disallowance on CNA signing bonus thru salary deduction of ₱200.00 per month until fully paid, otherwise, full payment should be enforced.

4. *Dormant Accounts*

Various accounts in POPCOM Main Office and RPO VIII amounting to ₱95,327,495.14 and ₱170,945.83, respectively or a total of ₱95,498,440.97, remained

dormant for several years in their books of accounts, resulting in the overstatement of the affected accounts, thus rendering these accounts in the financial statements unreliable.

We recommend that the Accountant and other concerned officials of POPCOM Main Office and RPO VIII, initiate/cause the verification, review, analysis and reconciliation of the affected fund accounts to determine their existence and validity. If warranted, file a request for authority to write-off from the Commission on Audit in accordance with COA Circular No. 97-001 dated February 5, 1997.

5. *Cash*

Check disbursements with a total amount of ₱327,185.89 were not recorded in the books of accounts of RPO – CAR due to the practice in the old accounting system that only checks actually released to claimants were recorded as disbursements, thus, overstating the cash account and understating the expenses by the same amount.

We recommend that the Cashier should record all checks drawn in the CDR, whether released or not to claimants, and list sequentially in the RCI, to be submitted to the Accountant for recording purposes in accordance with COA-GAFMIS Circular Letter No. 2002-001.

We further recommend that the Accountant should make the necessary adjusting entries in the books of account to correct the overstatement of cash and understatement of expense accounts, in addition to the preparation of the JEV per Section 2.4 of COA-GAFMIS Circular Letter No. 2002-001. Prepare and record the entry for the restoration of the cash equivalent to the unreleased checks and to recognize the appropriate payable/liability accounts as of December 31, 2005.

6. *Erroneous Classification of Accounts*

Prior year's expenses and transfer of funds to Local Government Units (LGUs) and Non-Government Organizations (NGOs) amounting to ₱195,107.82 and ₱132,000.00, were charged by the RPO I and RPO VII as current expenses instead of charging it to Prior Year Adjustments and receivable accounts, respectively, thus understating the two latter accounts by the same amount and overstating the expense accounts in the total amount of ₱327,107.82.

We recommend that the RPO I should reverse its previous entries by charging its prior year's expenses to Prior Year Adjustments account instead of to current expenses.

We further recommend that the following entry be taken up in the books of RPO VII to book up the receivable accounts and to correct the previous entry made relative to the transfer of funds:

Due from LGUs	₱82,000.00	
Due from NGOs	50,000.00	
Prior Year's Adjustments		₱132,000.00

7. *Fund Transfer Deficiencies – United Nation Population Fund (UNFPA)*

a. *Accounting treatment of UNFPA accounts*

The UNFPA funds transferred by POPCOM Main Office to RPOs were recorded in the RPOs books using different accounts and included among the General Fund accounts, contrary to the accounting system adopted in the Main Office resulting in the difficulty of monitoring liquidation of said funds transfer and in the consolidation of financial statements submitted by the RPOs.

We recommend that the Accountants of the POPCOM Main Office and the RPOs should meet together to come up with uniform treatment of accounts and the corresponding accounting entries in the recording of UNFPA funds/transactions.

We further recommend that appropriate disclosures in the consolidated Notes to Financial Statements be made by the Main Office Chief Accountant on the inclusion of UNFPA funds/accounts in the General Fund accounts, indicating the accounts affected and the amount involved, to be able to determine the subsequent effects as a result on the different treatment of accounts. Adjusting entries per working paper should be prepared by the Chief Accountant, if necessary, duly notifying the Regional Accountant of the situation, for confirmation or validation purposes.

b. *Payment of Daily Subsistence Allowance, Honoraria & Other Related Expenses charged to UNFPA Funds*

Disbursements in excess of the prescribed rate amounting to ₱44,500.00 and ₱41,086.00 by RPO IV and VII, respectively, or a total of ₱85,586.00 were charged against UNFPA funds in violation with the UNFPA Finance Manual.

We recommend that the agency personnel should follow the rates prescribed/provided in the UNFPA Manual. In RPO VII, the excess of what are allowable should be refunded. Submit legal basis or written justification/explanation why the payment of subsistence and/or honoraria should not be disallowed in audit

c. *Liquidation of UNFPA fund transfer*

The liquidations of UNFPA funds transferred to POPCOM-NCR amounting to ₱67,750.00 were not completely documented and certain expenditures were not in accordance with the UNFPA budget line, thus it may lead to inefficient or ineffective implementation of the project

We recommend that POPCOM-NCR should coordinate with the Main Office for the complete documentation of the project as well as the charging of the appropriate/correct account against the project budget lines for fair presentation of financial reports in the books of the Main Office, upon liquidation of the fund transfer.

8. *Payment of CNA Signing Bonus and Cash Incentive Award*

Payment of CNA signing bonus amounting to ₱195,000.00 by RPO VI to its personnel has no legal basis. Likewise, payment of cash incentive award totaling P1,400.00 to its two personnel is not in accordance with the prescribed laws, rules and regulations in giving awards and recognition to deserving employees .

We recommend that the management of RPO VI should refrain from granting allowances of any nature without legal basis. The amount of ₱195,000.00 and ₱1,400.00 as a result from the above transactions should be refunded by the concerned personnel/recipients.

9. *Violation of Austerity Measures per Administrative Order No. 103*

Expenses for meals/snacks and drinking water totaling ₱120,495.00 in RPO I, as well as increase in expenses for travel, fuel, oil, board and lodging amounting to ₱56,140.00 in RPO XII, were considered unnecessary and incurred without restraint and economy, thus violating the austerity measures per Administrative Order No. 103.

We recommend that the expenses for meals and snacks be included in the agency Work and Financial Plan so as to avoid extravagant/unnecessary expenses for the government and to be able to utilize the scarce resources effectively and economically.

We further recommend that trainings and conferences should be conducted within the city proper to minimize expenses. Savings that could be earned could be utilized for other purposes beneficial to the agency. Authority from POPCOM Main Office should be secured in conducting trainings and conferences outside the regional office.

10. *Inability to Fully Implement the Philippine Population Management Program (PPMP)*

The POPCOM Main Office was not able to completely address the problems on capturing the total sources and application of funds for population/reproductive health (RH) accounts due to 1) difficulty in gathering the information on RH components which are often incorporated./integrated into the total cost of some health and development programs of the national government and local government units 2) “direct payment scheme”, wherein foreign donors sometimes pay population expenditures directly to payees, that is, funds do not pass the government accounting system. These situations could prevent the full implementation of the PPMP.

We recommend that POPCOM, as the central coordinating and policy making body of the government in the field of population, should seek the assistance of concerned government agencies for foreign donors/grantors in segregating the population/reproductive health fund accounts from the total cost of some health programs to facilitate the preparation of the PIP. Documentation of the “direct payment scheme” pertaining to the total population/reproductive health expenditures incurred in an activity or project should be requested from the foreign donors/grantors in line with the preparation of the PIP.

11. *Failure to Monitor Completely the Extent of Implementation of the PPMP*

As in the past years, POPCOM Main Office incurred delays in consolidating all the accomplishments of its 15 Regional Population Offices (RPOs) for submission to the Department of Budget and Management (DBM) in an Agency Performance Report (APR) form for CY 2005, resulting in the inability of the Main Office to monitor completely the progress or extent of implementation of the Philippine Population Management Program.

We recommend that POPCOM Main Office should consider the submission of quarterly Work and Financial Plan which shall serve not only to monitor the submission of the APR, but also as additional input in the formulation of the PIP which is necessary for the implementation of the PPMP.

***Implementation of Prior Years’
Audit Recommendations***

Out of the 57 prior year’s audit recommendations, 24 were fully implemented; 11 were partially implemented; 13 were on-going and 9 were not implemented.