

## **EXECUTIVE SUMMARY**

### **Introduction**

The Philippine Textile Research Institute (PTRI) was formally established on January 3, 1967 by the then National Science Development Board (NSDB) as an agency to undertake the Textile Research Program. It was made into a regular agency in 1974. By virtue of Executive order No. 700 dated June 26, 1981, the Institute was transferred to the Ministry of Trade and Industry.

Executive Order No. 128, reorganizing the National Science and Technology Authority (NSTA) on January 30, 1987 provided among others, the transfer of the PTRI from the Ministry of Trade and Industry to the NSTA, now the Department of Science and Technology (DOST).

The PTRI is mandated by law to conduct applied research and development for the textile industry, undertake the transfer of completed researches to end-users or via linkage units of other government agency, and undertake technical services and provide training services.

The PTRI is headed by Dr. Carlos C. Tomboc, Director IV. He is assisted by a Deputy Director, Engr. Caridad M. Cuchon, both duly appointed by the President of the Philippines.

The Institute's science and technology programs are being undertaken by its Research and Development Division (RDD) and Technical Services Division (TSD), with support services from the Finance and Administrative Division (FAD).

### **Financial Highlights**

The Institute's consolidated assets, liabilities and government equity as of December 31, 2005 amounted to ₱61,801,284.77, ₱3,451,001.14 and ₱58,350,283.63, respectively. As compared to 2004 figures of ₱71,649,307.96, ₱3,919,248.25 and ₱67,730,059.71, there was a decrease of ₱9,848,025.19 or 14% for assets, ₱468,247.11 or 12% for liabilities and ₱ 9,379,776.08 or 14% for equity.

For CY 2005, the Institute received total allotments of ₱51,586,175.00. It incurred total expenditures of ₱51,549,628.32 leaving total unexpended balance of ₱36,546.68. In addition, trust receipts amounting to ₱ 2,306,107.00 were received from the Department of Science and Technology (DOST) and other agencies under the DOST to fund the special projects being undertaken by the Institute. Total expenditures charged against the trust receipts amounted to ₱1,686,735.17 leaving unexpended balance of ₱619,371.83.

## **Operational Highlights**

Pursuant to Executive Order No. 391 dated December 13, 2004, PTRI has aligned its budgetary programs with the strategies and activities identified in the MTPDP using as guide the Major Final Outputs outlined by DOST in its Administrative Order No. 003 series of 2005, namely: (1) diffusion of knowledge and technology, (2) generation of new knowledge and technology, (3) development of human resources for the S&T sector, and (4) provision of quality S&T services.

In upholding DOST's Small and Medium Enterprises Technology Upgrading Program for the enhancement of the operational efficiency to boost its productivity and competitiveness, PTRI conducted technology transfer activities such as distribution of technologies to MSMEs cooperatives, associations and academic institutions; assistance to MSMEs cooperatives and associations by providing livelihood sources to employees and cooperative members through seminar workshops on dyeing, training on advance dyeing, seminar workshops on synthetic and natural dyeing, the Kabalikat sa Hanapbuhay Foundation, Inc., the hands-on demonstrations on natural dyeing seminars; and the introduction of leno weaving techniques. It provided 135 textile-related training courses such as on-the-job training courses on textile testing, processing and research to students for the upliftment of their technical know-how. There was also impact assessment on transfer activities and technical assistance to MSMEs cooperatives or associations and book launching of the following: (1) The Human Face of PTRI's S&T Interventions, (2) Handbook on Pretreatment and Dyeing of Indigenous Plant Materials for World Class Products, and (3) Kalamata – Sourcebook on Weave Designs.

On generation of New knowledge and Technologies PTRI embarked on significant research and development on natural fabrics, natural dyes and silk through provisions of technical support, production, evaluation of performance, development, implementation, data gathering, modification, establishment of methods, submission of performance specifications, exploration of possibilities, and acquisition of financial assistance.

On testing services, physical and chemical tests were conducted on samples submitted to enable to address production problems on textile by contributing to the improvement of quality and productivity.

Library information services were also provided for researchers, students, MSMEs, firms and other institutions; upgrading of PTRI information materials, preparation of textile publication, enhancement of Integrated Library System, and participation in the S&T information and e-library projects.

Information, education and communication (IEC) material packaging and technology promotion services, textile processing and consultancy services, S&T linkages and cooperation were enormous consideration for the provision of S&T quality services.

Targets, accomplishments and percentage of accomplishments for major activities for the year in comparison with the previous year are presented in detail in Appendix 1 of this report.

### **Scope of Audit**

The audit was made on the accounts and operations of the Philippine Textile Research Institute for the year ended December 31, 2005. The objectives of the audit were to determine the fairness of presentation of the financial statements and the propriety of financial transactions.

### **Auditor's Report**

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following: (1) The validity of the balances of Items-in-Transit and Office Supplies Inventory accounts amounting to ₱1,917,107.41 and ₱830,197.90, respectively, could not be ascertained because they have been dormant for more than five years in the agency's books. The accountant failed to complete the analysis and evaluation of the accounts as of year-end and therefore, management officials failed to undertake the procedures set forth in COA Circular No. 97-001 dated February 5, 1997; and (2) The accuracy of the balance of Other Property, Plant and Equipment account amounting to ₱1,957,935.67 was doubtful because the accountant and the property officer was not able to complete the analysis of the semi-expendable supplies and materials erroneously recorded to this account instead of the appropriate PPE accounts. Because of the absence of detailed data regarding the account, provision for depreciation could not also be computed.

### **Observations and Recommendations**

For the exceptions stated above, we recommended that the accountant and the property officer should exert extra effort to complete the analysis of the Office Supplies Inventory and Items-in-Transit accounts amounting to ₱ 830,197.90 and ₱1,917,107.41, respectively and also the analysis of the semi-expendable supplies and materials so that proper recording to the appropriate accounts could be made.

In addition to the above deficiency, it was also noted that various unserviceable equipment totaling ₱320,454.89 were not reclassified to Other Assets account, thereby understating the said account and overstating the PPE accounts. For this audit observation, we recommended that adjusting journal entries be prepared to reclassify unserviceable equipment totaling ₱320,454.89 from PPE accounts to Other Assets account.

The above observations and recommendations were discussed with concerned management officials and their comments were incorporated in Part II of this report where appropriate.

## **Implementation of Prior Year's Recommendations**

Of the four prior year's audit recommendations embodied in the Annual Audit Report of the Institute for the year ended December 31, 2004, two were fully implemented, one was partially implemented and three are still on-going. (See Part III)