

Philippine Trade Training Center

Executive Summary

Agency Background

1. The Philippine Trade Training Center, referred to here as PTTC, was created by virtue of Executive Order No. 133 issued on February 27, 1987. It started operations in 1988 as an attached agency of the Department of Trade and Industry under the supervision of the Undersecretary for International Trade Group.

2. It is directed to carry out the following tasks:

- To develop training modules on export and import techniques and procedures;
- To raise the level of awareness of Philippine entrepreneurs on export opportunities and the availability of alternative sources of import products or diversified markets for exports;
- To offer specialized courses for specific industry groups directed at overcoming barriers to overseas market penetration; and
- To conduct training programs in international trade practices, inspection techniques, and exhibition mounting.

3. For CY 2005, PTTC reported the implementation of *128* regular and *218 special intervening programs* attended by a total of 12,211 participants composed of entrepreneurs, exporters, technical staff of manufacturing and service firms, government employees and representatives from non-government organizations and the academe. Included under the special programs were the conduct of Capability Build-Up and Enhancement courses under the One Town One Product (OTOP) program of the DTI and the video documentation featuring the 15 provinces/towns selected as OTOP models. A total of 33 major events utilizing PTTC facilities were also reported.

4. The accomplishments were validated on a test basis by comparing these with the submitted reports on seminar implementation, monthly accomplishments and related financial reports/documents.

Financial Highlights

5. During the year, PTTC generated total collections of *₱18.69* Million from the rentals of exhibition halls and seminar rooms, which were all remitted to the Bureau of Treasury. This CY 2005 income indicates an increase of 82.52% compared with CY 2004 figure of *₱10.24* Million.

6. The sources and utilization of PTTC funds are shown below:

Particulars	2005 (in million pesos)	2004 (in million pesos)	Increase/ (Decrease) (in million pesos)	Percent- age of Increase/ (Decrease)
A. Major Sources of Funds				
Annual Appropriations-GAA (RA No. 9336)	26.43	28.17	(1.74)	(6.18)
Subsidy Income from the National Government				
Notice of Cash Allocation	27.14	27.26	(0.12)	(0.44)
Tax Remittance Advice	<u>2.05</u>	<u>1.52</u>	<u>0.53</u>	<u>34.87</u>
<i>Subtotal</i>	29.19	28.78	0.41	1.42
Seminar Fees and Other Collections	<u>7.44</u>	<u>15.14</u>	<u>(7.73)</u>	<u>(50.86)</u>
	36.63	43.92	(7.70)	(16.60)
B. Application of Funds				
Expenses				
Personnel Services	15.32	14.39	0.93	6.46
MOOE	33.22	65.10	(31.88)	(48.97)

Seminar fees pertained to collections from training participants while the other collections comprised fund transfers from the DTI and other funding agencies for the implementation of training programs for entrepreneurs and exporters.

7. For the year under audit, the Center's reported financial condition are as follows:

Particulars	2005 (in million pesos)	2004 (in million pesos)	Increase/ (Decrease) (in million pesos)	Percent- age of Increase/ (Decrease)
Total Assets	176.76	201.49	(24.73)	(12.27)
Cash	3.86	11.75	(7.89)	(67.15)
Receivables	1.49	1.37	0.12	8.76
Inventories	0.27	0.11	.016	145.45
Prepayments	0.04	0.04	-	-
Other Assets	0.51	0.51	-	-
PPE	170.59	187.72	(17.13)	(9.12)
Total Liabilities	4.6	12.01	(7.41)	(61.70)
Current Liabilities	4.6	12.01	(7.41)	(61.70)
Equity	172.19	201.49	(29.30)	(14.54)

The decrease in cash was attributed to the return/remittance to funding agencies/ Bureau of Treasury of fund balances for completed projects while the reduction in the PPE was due to the disposal of unserviceable properties taken up during the year.

Scope of Audit

8. The audit covered the review of accounts and operations of the PTTC for the period 01 January to 31 December 2005. It was aimed at determining whether the financial statements present fairly the financial position, results of operations and cash flow of the Agency for the year then ended, and at determining the extent of compliance with existing laws, rules and regulations.

Audit Opinion on the Financial Statements

9. We rendered an unqualified opinion on the fairness of the presentation of the financial statements as stated in the Audit Certificate.

Observations and Recommendations

10. We are pleased to note the efforts exerted by Management in addressing the observations made by the Audit Team, specifically on:

- a) The completion of the task of the Inventory Committee resulting in the reconciliation of the PPE accounts and related balances per physical count.
- b) The liquidation/refund of *₱.941 Million or 97%* out of the total cash advances of *₱.971 Million*.

11. The following observations and recommendations, including those presented under Parts II and III hereof, were discussed with management, and their comments were incorporated in the Report where appropriate.

- a) The year-end balance of the training funds under account “Due to Other NGAs” amounting to *₱2,548,188.03* were not returned to the Funding Agencies nor remitted to the National Treasury upon completion of the projects for which these funds were given, in violation of COA Circular No. 94-013 and EO 338.

We recommended and Management agreed to return immediately to the Source Agencies and/or remit to the National Treasury all unutilized fund balances for completed projects in accordance with COA Circular 94-013 and EO 338.

- b) Of the year-end balance of account “Cash in Bank – Local Currency, Current Account” which is maintained for the fund transfers from the DTI and other agencies held in trust or for specific purposes, the amount of ₱939,738.10 remained unsupported with detailed record such as the funding source and purpose, hence its utilization could not be monitored as to compliance with the terms of the agreement with the funding agencies.

We recommended and Management agreed that detailed record/subsidiary ledgers for all the training funds be immediately completed to provide basis for periodic monitoring of proper disposition of the training funds and reconciliation of the balances of the related accounts.

- c) Some items included in the Property, Plant and Equipment accounts were not properly classified, resulting in net overstatement of PPE and Government Equity by ₱314,877.69.

We recommended and Management agreed to make immediate adjustments of the affected PPE and Equity accounts. We also recommended a complete review of the PPE classification to ensure proper presentation in the financial statements in accordance with the NGAS-prescribed chart of accounts.

- d) The use of PTTC funds totaling ₱165,324.00 for the payment of private health insurance premiums for CY 2005 of some employees was not in accordance with COA Resolution No. 2005-01 and other related rulings on the grant of benefits that may be covered in the Collective Negotiation Agreement.

We recommended the following pursuant to COA Resolution No. 2005-01 and Section 3, Rule VIII of the Rules and Regulations to Govern the Exercise to the Right of Government Employees to Self-Organization as referred to and reiterated under PSLMC Resolution No. 04:

- *Cause* the immediate refund by the concerned officials and employees of the CY 2005 health premiums charged against PTTC funds totaling ₱165,324.00; and
- *Stop* the *utilization* of government funds for the payment of private health insurance availed by employees in addition to the Philhealth coverage.

Implementation of Prior Year’s Recommendations

12. PTTC had fully implemented six out of nine audit recommendations contained in the 2004 Annual Audit Report. The three audit recommendations not fully implemented were presented under Parts II and III of this Report.