

## **EXECUTIVE SUMMARY**

### **Introduction**

The Regional Development Council (RDC) was created in 1972 as the government's central planning body, exercising the functions then vested in the National Economic Council (NEC), Presidential Economic Staff (PES) and other ad hoc economic bodies.

The RDC is the supervising arm of the project implementation of the National Economic Development Authority. Its powers and functions is vested as the development planning and policy coordinating body. Its functions are: planning and policy formulation; investment programming; monitoring; and evaluation.

### **Financial Highlights**

During the year, in addition to the P271,617.35 cash balance as of January 1, 2005, the RDC Region 7 received a cash allocation from Central Office including interest from bank of P3,416,322.46 to cover operating requirements of the agency. Likewise, a total of P4,614,320.65 was transferred to the RDC by project offices already closed.

Of the total amount of P8,030,643.11 the agency spent the amount of P3,416,622.00 for its operating expenses, leaving a cash balance of P4,885,638.46 as of December 31, 2005.

### **Scope of Audit**

The audit was conducted for the calendar year 2005 to ascertain the propriety of financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

### **Auditor's Report**

The Auditor rendered a qualified opinion on the financial statements due to the non preparation of the Bank Reconciliation Statement, failure to conduct the physical inventory of Office Supplies and prepare the corresponding Report of Physical Count of Office Supplies.

### **Observations and Recommendations**

1. Management failed to prepare the Bank Reconciliation Statements for the five (5) bank accounts with a total balance of P4,875,638.46, thus casting doubt on the accuracy of the cash in bank account as of December 31, 2005.

It is recommended that management should require the Accountant to exert extra efforts to follow-up the bank statements with the concerned bank and prepare the bank reconciliation statement to support the Cash in Bank balances of these five(5) accounts. Henceforth, management should require the Accountant to prepare the bank reconciliation statement regularly for these accounts.

2. Report on Physical Count of Office Supplies amounting to P529,456.74 as of December 31, 2005 was not submitted contrary to the provision of Section 65 of NGAS Manual Volume II rendering the balance doubtful.

Require the immediate physical inventory taking of office supplies and the preparation of the corresponding report as well as the reconciliation of the inventory records with the office supplies found on hand.

3. Cash in bank balances which had been turned over to RDC from other government agencies remain unremitted to the Bureau of Treasury, as directed under MCDP Committee Resolution No. 07 dated February 22, 2002.

Direct management to obtain a resolution from the RDC authorizing the remittance of the bank balance totaling P4,614,320.65 to the Bureau of Treasury so that it can be used by the government for other projects. Moreover, the draft resolution should also indicate the signatories of the current accounts.

4. Transfer of funds amounting to P176,000.00 as of December 31, 2005 to Bohol, Siquijor and Negros Oriental has not been properly monitored and controlled to enable the effective utilization of funds, in violation of Section 2 of P.D. 1445.

It is recommended that there should be a Memorandum of Agreement (MOA) between the source agency and the receiving LGU, requiring the securing LGU to submit the liquidation report and refund the unexpended balance of the amount received to the source agency.

5. Management failed to adhere strictly to the provision of Memo Order No. 195 dated October 24, 1988 resulting to an overpayment of honoraria to private sector representatives totaling P59,850.00 as of December 31, 2005.

It is recommended that management submit the authority from the DBM on the grant of increase of honorarium to RDC private sector representatives and the additional honoraria of P1,000.00 for members who attend RDC meetings outside their home provinces otherwise, refund should be made on the excess amount of honorarium totaling P59,850.00.

6. Management failed to enforce the settlement of accounts, disallowances amounting to P34,907.25 as of December 31, 2005 which remained unsettled for more than three (3) years in violation to Section 9.1.b.c of the Revised Manual Certificate of Settlement and Balances.

It is recommended that settlement of disallowances be made by the persons liable.

7. The Report of Accountability for Accountable Forms were not prepared from January 2005 to December 2005 contrary to Sec. 68 of NGAS Manual Volume II.

It is recommended that the accountable officer should prepare regularly the Monthly Report of Accountability for Accountable Forms pursuant to Sec. 68 of NGAS Manual Volume II and direct them to submit January 2005 to September 2005 reports immediately.

8. Delayed submission of disbursement vouchers contrary to the provisions of COA Circular No. 88-192(a) which requires the submission of DVs and supporting documents on or before the 10<sup>th</sup> day of the succeeding month.

Direct the accountant to submit immediately the disbursement vouchers and to follow strictly the required submission of the vouchers within ten(10) days after the end of each month as required under COA Circular No. 88-192(a).

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

Out of the eight (8) prior year's audit recommendation, two (2) were fully implemented, one (1) was partially implemented, and five (5) were not implemented during the year.