

EXECUTIVE SUMMARY

A *Financial Highlights*

For CY 2005, the agency received total allotments of P209,622,252.00 in addition to the continuing appropriation of P35,667,926.61. It incurred total expenditures of P216,401,960.94, thus leaving an unexpended balance of P28,888,217.67 at the end of the year.

There was a decrease on the agency's total assets and liabilities but an increase on its government equity for CY 2005 as compared to CY 2004. The agency's total assets, liabilities and government equity as of December 31, 2005 compared to previous year are as follows:

	CY 2005	CY 2004	Increase (Decrease)
	(In Philippine Peso)		
Assets	P1,024,565,692.74	P1,040,420,800.81	P(15,855,108.07)
Liabilities	958,641,103.20	978,876,242.66	(20,235,139.46)
Government Equity	65,924,589.54	61,544,558.15	4,380,031.39

B. *Scope of Audit*

A financial and compliance audit was made on the accounts and operations of the Sandiganbayan for the year 2005, implementing the Risk Based Audit Approach which focuses on the identified critical accounts of the agency.

C. *Auditor's Report*

Except for the effects of the matters discussed in our observations and recommendations, the financial statements of the Sandiganbayan present fairly its financial position as of December 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with applicable generally accepted state accounting principles.

D. *Observations and Recommendations*

The audit reveals some deficiencies which, together with the corresponding recommendations, are summarized as follows:

1. Interest earned on Fiduciary Fund amounting to P2,720,990.14 were not remitted to the Bureau of Treasury (BTr) in violation of Section 44, Book VI, E.O. No. 292, series of 1987, thus decreasing the income of the National Government in the same amount.

Remit all interest earned on Fiduciary Fund including interest earned in previous years to BTr pursuant to the provisions of Section 44, Book VI, E.O. No. 292, series of 1987 and Supreme Court En Banc Resolution A.M. No. 05-3-35-SC dated January 31, 2006.

2. Unreliability of account balances in the financial statements.

2.1 Unrecorded interest earned in Time Deposit amounting P15,551,008.51.

Instruct the Chief Accountant to record the interest earned in the books of accounts for fair presentation of the financial statements. Henceforth, require the person responsible or in charge of keeping the accounts to update the financial records for timely and complete recording.

2.2 Unrecorded fund transfer to the Bureau of the Treasury in the amount of P1,263,071.02.

Record the financial transactions in the books of accounts.

2.3 Unrecorded transfer of funds from Time Deposit Account to Savings Account.

Record the fund transfer by debiting and crediting Cash in Bank-Local Currency, Savings Account and Time Deposits, respectively, for the same amount. Instruct the cashier to submit on a timely basis all financial records and other documents to the Accounting Office. Henceforth, periodic reconciliation between accounting and cash records should be made to come up with updated reports.

Our observations and recommendations were discussed with the management of the Sandiganbayan and their comments were incorporated in the report, where appropriate.

E. Implementation of Prior Year's Audit Recommendations

All the three (3) audit recommendations embodied in the 2004 Annual Audit Report were fully implemented.