

**Technical Cooperation Council of the Philippines**  
**EXECUTIVE SUMMARY**

1. The Technical Cooperation Council of the Philippines (TCCP) was created in 1992 by virtue of Executive Order No. 17 that integrated the former Technical Assistance Council (TAC) with the Inter-Agency Technical Committee on Technical Cooperation among Developing Countries and Economic Cooperation among Developing Countries (IATC-TCDC/ECDC). It is responsible for the implementation of the Technical Cooperation Program in favor of developing countries, particularly the least developed among them, and the coordination of related projects and activities implemented by other government agencies.

2. In line with its major program for the year 2005 at assisting developing and least developed countries to strengthen bilateral and multilateral relations, the Council's major projects and activities include the following:

- a. Implementation of the Philippine Technical Cooperation Program (PTCP). For this year, TCCP sponsored the short-term training course on Non-Timber Forest Products and Enterprise
- b. Coordination of all TCDC and ECDC activities
- c. Conduct research on the technical assistance requirements of LDCs and DCs

**Financial Highlights**

3. The sources and application of funds of the TCCP for the year in audit, with comparative figures for 2004 are summarized below:

Particulars	In Million Pesos			Percentage
	2005	2004	Increase/ (Decrease)	
<b>A. Major Source of Funds</b>				
Annual Appropriations <i>(Per Republic Act 9336, the General Appropriations Act of FY)</i>	2.50	2.56	(0.06)	(2%)
Subsidy Income from National Government (net) consisting of	<u>2.48</u>	<u>2.77</u>	<u>(0.29)</u>	<u>(11%)</u>
• Notice of Cash Allocation	2.45	2.74	(0.29)	(11%)
• Tax Remittance Advice	0.03	0.03	0.00	0%
<b>B. Application of Funds</b>				
Expenses	<u>1.59</u>	<u>1.76</u>	<u>(0.17)</u>	<u>(10%)</u>
Personal Services	0.92	0.80	0.12	15%
MOOE	0.67	0.96	(0.29)	(30%)

4. The agency's financial condition (comparative years 2005 and 2004) is presented as follows:

Accounts	In Million Pesos			Percentage
	2005	2004	Increase/ (Decrease)	
<b>Total Assets</b>	<u>0.62</u>	<u>0.35</u>	<u>0.27</u>	<u>77%</u>
Receivables	0.53	0.14	0.39	267%
Inventories	0.06	0.05	0.01	27%
PPE (net of depreciation)	0.03	0.16	(0.13)	(81%)
<b>Liabilities</b>	0.045	0.048	(0.003)	(6%)
<b>Government Equity</b>	0.57	0.30	0.27	91%

### Scope of Audit

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

### Audit Opinion on the Financial Statements

6. We rendered a qualified opinion on the fairness of presentation of the financial statements in view of the improper recording of the last two partial fund releases to the NGO-implementing agency of the Short-term Training Course on Non-Timber Forest Products and Enterprise Project totaling P374,000.00 as debits to Prior Year's Adjustments instead of to Due from NGOs/POs, resulting in the understatement of the receivable account "Due from NGOs/POs" by the same amount. This is presented below and discussed in detail in Part II of the report.

### Summary of Observations and Recommendations

7. Below is a summary of the audit observations and recommendations, together with the management responses/actions which were discussed in detail in Part II of the report:

- a. Of the five deliverables/expected outputs of the short-term training course on Non-Timber Forest Products and Enterprise (NTFP), only four or 80% were completely delivered by the proponent while P748,000 or 100% of the total contract price was already released as of December 31, 2005.

We recommend that the TCCP, as the Government Organization/funding agency, exert more effort in monitoring compliance with MOA, especially on

the completeness of the deliverables/outputs submitted. In the future, a penalty or any form of sanction for non-performance should form part of the agreement.

- b. The last two partial fund releases to the NGO-implementing agency of the Short-term Training Course on Non-Timber Forest Products and Enterprise Project totaling ₱374,000.00 were debited to Prior Year's Adjustments instead of to Due from NGOs/POs, resulting in the understatement of the receivable account "Due from NGOs/POs" by the same amount; while partial liquidation of fund releases totaling ₱517,000.00 representing 70% of the total amount of ₱748,000, does not indicate that such statement was verified by TCCP as required in Section 4.5 of COA Circular No. 96-003 and therefore cannot be booked up as a credit to the receivable account.

We recommended the following:

1. Immediately take up in the books of accounts the fund releases to the NGO using account "Due from NGOs/POs";
2. Require the submission by Approtech ASIA of a terminal financial report and conduct verification thereof;
3. Approve liquidation report and issue the required certificate of acceptance only upon completion of the project and acceptance by its beneficiaries.

We likewise recommend that henceforth, the significant provisions of COA Circular No. 96-003 on prescribing accounting and auditing guidelines on the release of funds to non-government organizations/people's organizations be emphasized in the Memorandum of Agreement/ Understanding.

The Management assured us of the implementation of the audit recommendations.

- c. Value-added taxes totaling PhP68,000 were not withheld from the payments to the Asian Alliance of Appropriate Technology Practitioners, Inc. (Approtech ASIA), contrary to BIR Revenue Regulations No. 14-2003 dated 26 March 2003.

We recommended compliance with tax laws, specifically on the withholding of taxes on payment of goods and services rendered.

Management commented that there was indeed failure to withhold 10% VAT from payments to Approtech ASIA. Nevertheless, TCCP will comply with tax laws specifically on the withholding of taxes on payment of goods and services rendered in its future disbursements.

We also recommend that TCCP requires Approtech ASIA to submit documentary evidence that the amount of Php68,000 VAT was paid to the BIR. If none is submitted, require them to refund the amount inasmuch as it was specifically stated in the MOA that Php68,000 represented 10% VAT

- d. Grant of staple food allowance of Php21,600 each to its three regular and one contractual personnel, or a total of Php86,400, was made pursuant to a memorandum of DFA Secretary for the President through the Executive Secretary, requesting that the staple food allowance be sourced from TCCP's savings, and without authority from the Department of Budget and Management on the use of savings.

We recommend that the TCCP seek the authority of the Department of Budget and Management on the use of TCCP's savings from 2005 budget for payment of 2005 staple food allowance since it is the opinion of COA that the appropriate agency to determine whether this may fall within the purview of Sections 59, 60, and 61 of RA 9336, otherwise known as the General Appropriations Act (GAA) of 2005 primarily rest with the Department of Budget and Management.

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

8. Two recommendations contained in the 2004 Annual Audit Report were fully implemented in 2005. Details are presented in Part III of the report.