

## EXECUTIVE SUMMARY

### Introduction

The Tariff Commission is the primary government agency mandated to develop, formulate and coordinate the implementation of tariff policy in the Philippines. It was created on August 17, 1953 by Republic Act 911 and was under the direct supervision of the Office of the President. It later underwent several reorganizations until it was placed under the administrative supervision of the NEDA by virtue of Presidential Decree No. 1 in 1972. Executive Order No. 143 dated August 21, 1999 mandated the Commission to reorganize its organizational structure and operational processes to adapt to the emergence of a freer and more liberal trading environment. The Commission is a fact-finding, recommendatory and advisory body that advises NEDA in the formulation of tariff policy and guidelines for implementation.

### Financial Highlights

Presented below is the comparative analysis relative to the sources and application of funds for the last two years:

	CY 2005	CY 2004	Increase/(Decrease)
NCA Received	43,108,911.69	42,354,971.51	753,940.18
Allotment Received	43,123,538.00	43,595,295.00	(471,757.00)
Obligations Incurred	41,586,713.67	41,011,369.15	575,344.52
Unexpended Balance	1,536,824.33	2,583,925.85	(1,047,101.52)

### Scope of Audit

The audit covered the review of accounts and operations of the Tariff Commission for the year 2005. The audit was aimed to ascertain the propriety of the disbursements, the adequacy of the books of accounts and the fairness and reliability of the financial reports. Transactions of the agency were also examined to determine whether existing laws, rules and regulations were complied with.

### State Auditor's Report

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the failure of the agency to undertake the required physical inventory of its Property, Plant and Equipment totaling ₱1,834,975.41 which affected the accuracy & reliability of the account and the inaccuracy of the Office Supplies Inventory totaling ₱454,376.45 due to unrecorded issuances of supplies & materials which overstates the inventory account & understates the expense account.

## **Observations and Recommendations**

Relative to the exception cited above, it is recommended that management should require the complete physical inventory taking of its properties & equipment including supplies and materials, prepare the inventory report and reconcile it with the accounting records. Also, require the Supply Officer to facilitate the submission of RSMI so that issuances of supplies and materials can be recorded in the books. In addition, the following are the other observations and recommendations:

### **1. Favorable Observations**

- Account Cash – National Treasury (MDS) was properly monitored & regularly reconciled. Bank Reconciliation Statements were prepared & submitted regularly, Check Disbursement Record & bank balances are reconciled.
  - Collections were deposited intact and within the prescribed period provided by law.
2. Property Cards and Acknowledgement Receipt for Equipment are incomplete and unupdated. Most of the properties and equipment were not also provided with property number.

It is recommended that Property Cards and Acknowledgement Receipt for Equipment should be completed and regularly updated pursuant to Section 42 and Section 56 of the Manual on NGAS, Volume II, respectively. Tag properly all properties and equipment with corresponding property numbers for monitoring & control purposes.

We have discussed our observations and recommendations with the concerned officials and employees of the agency and we are pleased to note their favorable reaction and willingness to have the deficiency corrected.

## **Status of Implementation by Management of Prior Years' Audit Recommendations**

Prior year's audit recommendation was fully implemented. Cash advances granted to Special Disbursing Officer and to officers and employees are properly classified to its proper account.