

EXECUTIVE SUMMARY

A. INTRODUCTION

The Office of Civil Defense (OCD) was established in 1954 primarily for the coordination of the activities and functions of various agencies and instrumentalities of the national government and private institutions and civic organizations for the protection and preservation of the civilian populace and property during times of war and other national emergencies of equally grave character pursuant to Republic Act No. 1190, otherwise known as the Civil Defense Act of 1954.

Various amendments were made on the said Act to expand the functions and powers of the OCD. The latest is the RA 10121 dated May 27, 2010, otherwise known as the *“Philippine Disaster Risk Reduction and Management Act of 2010”* entitled *“An Act Strengthening the Philippine Disaster Risk Reduction and Management System, Providing for the National Disaster Risk Reduction and Management Framework and Institutionalizing the National Disaster Risk Reduction and Management Plan, Appropriating Funds Therefore and For Other Purposes”*.

As the implementing arm and Secretariat of the National Disaster Risk Reduction and Management Council (NDRRMC), the OCD is at the forefront of providing services to the Council to sustain its programs, projects and activities.

As required by Section 27 of RA 10121, OCD has been conducting a series of review or what the Act provides as “sunset review” to mark the 5th year of the said Act. The sunset review is the systematic evaluation of the accomplishments and impact of this Act, as well as the performance and organizational structure of its implementing agencies, for purposes of determining remedial legislation.

For the CY 2015, the agency is headed by Undersecretary Alexander P. Pama as the Administrator of OCD, assisted by Civil Defense Deputy Administrator (CDDA) Dir. Romeo F. Fajardo and Civil Defense Executive Officer (CDEXO) Dir. Liza Fidelis F. Cañada.

The Administrator of OCD also serves as the Executive Director of the NDRRMC. The OCD Regional Offices are headed by Regional Directors who are also the Chairpersons of the Regional Disaster Risk Reduction and Management Councils (RDRRMCs) except for National Capital Region (NCR) and Autonomous Region of Muslim Mindanao (ARMM). The Metro Manila DRRMC is chaired by the Chairperson of the Metro Manila Development Authority (MMDA) while the RDRRMC of ARMM is chaired by the Regional Governor. Both the OCD Central and Regional Offices maintain DRRM Operations Center which is operated on a 24 hour basis.

Section 3 of Executive Order No. 183 signed by President Benigno S. Aquino III on May 29, 2015 created Negros Island Region, provides for the constitution of the Regional Councils which includes the Regional Disaster Risk Reduction and Management Council.

As such the Office of Civil Defense – Negros Island Region (OCD-NIR) was created and initially established office at H-3, 17th Ochoa St., Barangay 5, Bacolod City. Dir. Blanche T. Gobenciong is the Interim Director (SG 24). Dir. Gobenciong assumed office on October 1, 2015 by virtue of Office Order No. 83 s 2015 dated 17, September 2015. She also serves as the Chairperson of the Regional Disaster Risk Reduction Management Council as mandated by RA10121. It is currently operating with three regulars reassigned from the neighboring regions and six job-orders.

To ensure maximum effectiveness of operations to cope with the requirements of RA 10121, the OCD implements its Organizational Structure and Staffing Pattern (OSSP) through the approval of Notice of Organization, Staffing and Compensation Action (NOSCA) No. 2015-08-019 effective not earlier than August 1, 2015.

Under the present set-up, the OCD has 415 personnel both in its Central Office (CO) and Regional Offices (RO) to support its mission broken down as follows:

STATUS	2014			2015		
	CO	RO	TOTAL	CO	RO	TOTAL
PERMANENT	110	121	231	149	233	382
CASUAL	2	2	4	4	4	8
CONTRACTUAL (PS)	25	117	142	0	0	0
CONTRACTUAL (MOOE)	6	43	49	22	0	22
CONSULTANT	1	0	1	1	0	1
DS MILITARY	2	0	2	2	0	2
TOTAL	146	283	429	178	237	415

Since the implementation of the OSSP, permanent positions were now available. Such positions were given to the contractual employees, but not all were accommodated because of lack of eligibility; thus, the decrease in the total number of OCD personnel.

B. OPERATIONAL HIGHLIGHTS

The target programs/projects versus accomplishments of the Office of Civil Defense for the CY 2015 are tabulated as follows:

PARTICULARS	2015 (01 JAN - 31 DEC)		
	TARGET	ACTUAL	%
MFO 1: DISASTER RISK REDUCTION AND MANAGEMENT POLICY SERVICES			
Number of disaster risk management policies and plan developed and issued or reviewed, updated and disseminated	29	29	100%
Percentage of stakeholders who rate the policies and plans as satisfactory or better	70%	90%	129%
Percentage of policies and plans developed and issued or reviewed, updated and disseminated in the last three (3) years	70%	63%	90%
Number of persons provided with disaster risk management reduction training	14,400	14,406	100%
Number of training days	1,181	1,217	103%
Percentage of trainees who rate quality of training as good or better	70%	94%	134%
Number of assignments for technical advisory assistance undertaken	1,296	1,716	132%
Percentage of requests for training or technical advice acted upon within 3 days	70%	95%	136%
MFO 2: DISASTER MANAGEMENT OPERATIONS			
Number of disaster operations response managed	210	266	127%

C. FINANCIAL HIGHLIGHTS

Under Republic Act 10651 (GAA CY 2015), the agency had a total appropriation of ₱1,016,014,000.00.

The financial condition, results of operation and sources and application of funds are presented below:

	2015	2014
A. Financial Condition		
Assets	₱ 1,821,079,099.91	1,507,281,661.53
Liabilities	661,260,808.73	877,331,430.04
Government Equity	1,159,818,291.18	629,950,231.49
B. Results of Operation		
Income	1,593,069.37	1,521,264.35
Net Financial Subsidy	1,134,573,774.01	338,418,357.34
Expenses	443,082,868.50	237,071,597.74
Excess of Income over Expenses	693,083,974.88	102,868,023.95

	2015	2014
C. Sources and Application of Funds (Annex A)		
Allotments	1,547,790,570.27	1,137,455,057.00
Obligations	1,008,640,452.69	598,427,487.71
Balances	₱ 539,150,117.58	539,027,569.29

D. SCOPE OF AUDIT

The audit covered the accounts and operations of the OCD for CY 2015.

E. AUDITOR'S REPORT

A qualified opinion was rendered on the fairness of presentation of the financial statements due to the following errors/deficiencies which are presented below, together with the corresponding recommendations. The details are discussed in Part II of this report.

1. The balance of the *Cash in Bank - Local Currency, Current Account (CIB-LCCA)* of ₱443,031,570.78 was unreliable due to errors in posting of entries in the books of accounts and unrecorded liquidation in the General Journal (GJ) which resulted in the overstatement of ₱111,364.02. (*Observation No. 1*)

We recommended and Management agreed to require the Accountant to (a) draw Journal Entry Voucher (JEV) to correct the overstatement in the amount of ₱111,364.02. Consequently, effect corrections in the books with the corresponding JEV correcting entries; (b) observe the proper accounting procedure in the booking of disbursements vis-à-vis accounting procedures in the booking of correcting entries; and (c) be extra careful in recording transactions in the books of accounts.

2. The balances of the *Property, Plant and Equipment (PPE)* accounts totalling ₱132,672,318.64 were unreliable due to: (a) non-submission of Report of Physical Count of Property, Plant and Equipment; (b) discrepancies between Accounting Records and Property Cards; (c) recording of completed project still in the Construction in Progress Account. Thus, existence and integrity of the accounts were not established. (*Observation No. 2*)

We reiterated our recommendation and Management agreed to (a) ensure that the concerned officials give priority to the conduct of physical count of PPEs annually and submit the corresponding RPCPPE on or before January 31 of every year in compliance with Section 66 of MNGAS Vol. II; (b) instruct the Accountant and the Property Officer to continue the periodic reconciliation between their records to reflect the true value of the PPEs owned by OCD;

(c) require the Property Officer to prepare and submit IIRUP to the accounting section to be used as basis in the dropping of the unserviceable PPEs; and (d) instruct the Accountant to draw Journal Entry Voucher to transfer the completed projects to the assets accounts.

3. The balance of *Other Assets* account of ₱4,083,366.25 was unreliable due to the unreconciled difference of ₱961,628.25 between the accounting records and the Inventory and Inspection Report of Unserviceable Property (IIRUP); thus, affecting the fair presentation of the financial statements. Further, the agency failed to dispose all unserviceable property contrary to Section 79 of PD 1445. (*Observation No. 3*)

We recommended and Management agreed to (a) instruct the Chief Accountant and the Property Officer to reconcile their records and create Disposal Committee which will undertake the immediate disposal of the unserviceable equipment; and (b) instruct the Chief Accountant to make the necessary adjustments to show the correct and true balance of the account.

4. The *Due to BIR* Account balance as of December 31, 2015 was unreliable due to (a) erroneous recording of tax remittances in the books in the net amount of ₱20,968.38, resulting in the understatement of the Due to BIR account; (b) unreconciled difference of ₱42,809.38 between the total debit and credit balances in the General Ledger and General Journal. Moreover, the amount of ₱65,932.47 of the ending balance of ₱565,631.82 cannot be accounted for due to the non-maintenance of subsidiary ledgers per region. (*Observation No. 4*)

We recommended and Management agreed to require the Accountant to (a) make the necessary adjustments to correct the erroneous entries; (b) exhaust all efforts to trace the transactions pertaining to the unreconciled differences; and (c) maintain Subsidiary Ledgers per region to facilitate proper tracing of transactions.

F. OTHER OBSERVATIONS AND RECOMMENDATIONS

1. Cash Advances granted to Officers and Employees for foreign travels were in excess by 24 to 945 percent compared to the actual expenses incurred, contrary to Section 3.1.1.2 of COA Circular No. 96-004 dated April 19, 1996 as reiterated under Section 4.5.1 of COA Circular No. 97-002 dated February 10, 1997. Additional cash advances for foreign travel were granted even before the liquidation of the previous cash advances contrary to Section 4.1.2 of COA Circular 97-002 dated February 10, 1997. (*Observation No. 6*)

We recommended and Management agreed to (a) be guided by the provision of COA Circular No. 96-004, particularly in the granting of cash advances for foreign travel, that factual and actual rates be taken into considerations;

(b) refrain from granting additional cash advances before liquidations of previous cash advances were made; (c) require the concerned officials to immediately refund the excess cash advance; and (d) instruct the Chief Accountant to strictly monitor the cash advances granted in line with mandates of COA Circular No. 96-004 with particular reference to Section 3.3 thereof.

2. A total of 52 cash advances granted to Special Disbursing Officers and various officers and employees in the amount of ₱8,752,682.18 and ₱2,805,890.20, respectively, remained unliquidated as at year end contrary to COA Circular No 97-002 and Section 89 of PD 1445. (*Observation No. 7*)

We recommended and Management agreed to adhere to the rules governing the granting and utilization of cash advance and require concerned officers/officials to liquidate the cash advance as soon as the purpose for which these were granted have been served in compliance with the provisions of Section 89 of PD 1445 and COA Circular No. 97-002 dated February 10, 1997.

3. Various reports together with the supporting documents were not submitted to the audit teams in the Regions within the prescribed period depriving the timely conduct of validation/verification of transactions and substantive test to ascertain the validity and accuracy of the balances of the accounts. (*Observation No. 8*)

We recommended and Management agreed to require the concerned officials to strictly adhere to the rules and regulations on the submission of the required reports.

4. The Travelling Expense – Foreign account with reported balance of ₱3,646,992.08 as of December 31, 2015 is overstated by ₱2,115,996.20 due to errors in recording/posting of the expenses incurred from Travelling – local and Training in the General Journal to Travelling- Foreign Expense account in the General Ledger. This resulted also in the understatement of the Travelling Expense and Training Expense accounts. (*Observation No. 5*)

We recommended and Management agreed to instruct the Chief Accountant to analyze and record the transactions carefully to reflect the correct and true balance of the accounts.

5. The disbursement vouchers for payment for various transactions were not adequately supported with the required documents contrary to Section 4.6 of PD 1445 and Sections 5.7.4 and 9.2 of COA Circular No. 2012-001 dated June 14, 2012, affecting the validity and correctness of the claims. (*Observation No. 9*)

We recommended and Management agreed to instruct the SDOs of the regional offices and the Chief Accountant to ensure that all claims against government

funds are supported with complete documentation in order to properly establish the propriety, validity and legality of the claims.

6. The OCD failed to fully allocate five percent of the total agency's appropriation for CY 2015 for Gender and Development (GAD) and attain its objectives and accomplish identified activities contrary to Section 33, General Provisions, GAA, FY 2015 or RA 10651. (*Observation No. 10*)

We reiterated our prior year recommendation that management should make good the use of the GAD annual budgetary plan by adhering with Section 34 of the GAA 2015 (RA No. 10651), and maximizing the utilization of GAD Budget by implementing the planned programs, projects and activities. We also recommended that management designate a focal person dedicated to monitor the implementation of activities contained in the Annual GAD Plan and Budget.

7. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 28 audit recommendations contained in CY 2014 and prior years' Annual Audit Reports, 15 were fully implemented, 11 were partially implemented and two were not implemented. The details are shown in Part III of this report.