

EXECUTIVE SUMMARY

A. Introduction

The National Historical Commission of the Philippines (NHCP), formerly the National Historical Institute (NHI), is the primary agency responsible and authorized to determine all factual matters relating to official Philippine history. Republic Act (RA) No. 10086, otherwise known as “Strengthening Peoples’ Nationalism through Philippine History Act”, vests in NHCP the following mandates:

- Conduct and support all kinds of research relating to Philippine national and local history;
- Develop educational materials in various media, implement historical educational activities for the popularization of Philippine history, and disseminate information regarding Philippine historical events, dates, places and personages;
- Undertake and prescribe the manner of restoration, conservation and protection of the country’s historical movables and immovable objects;
- Manage, maintain and administer national shrines, monuments, historical sites, edifices and landmarks of significant historico-cultural value; and
- Actively engage in the settlement or resolution of controversies or issues relative to historical personages, places, dates and events.

The NHCP is an independent agency attached to the National Commission for Culture and the Arts (NCCA). It is governed by a nine-member Board and is headed by a Chairperson. The Board is composed of five distinguished historians representing the private sector who serve as the regular members and are appointed by the President of the Philippines. Only these members can vote on matters relating to historical research and similar academic concerns. The ex officio members of the Board are the Director of the National Library of the Philippines, Director of the National Museum, Executive Director of the National Archives of the Philippines and the Executive Director of NHCP.

The NHCP is headed by the Executive Director and is assisted by a Deputy Executive Director for Administration and a Deputy Executive Director for Programs and Projects.

As of December 31, 2015, NHCP had a total personnel complement of 195, of which 155 were permanent plantilla personnel and 40 were contractual/job order. The agency had a total of 170 plantilla positions, of which 155 were filled-up.

B. Financial Highlights

The financial position, financial performance and sources and utilization of funds of the NHCP for Calendar Year (CY) 2015 with corresponding figures for CY 2014, are as follows:

Particulars	2015	2014
Financial Position		
Assets	869,100,794.76	503,132,250.70
Liabilities	133,991,018.23	92,204,099.31
Net Assets/Equity	735,109,776.53	410,892,532.21
Financial Performance		
Revenue	1,348,598.47	943,231.17
Current Operating Expenses	171,795,098.11	142,570,692.11
Net Financial Assistance/Subsidy	499,216,744.75	269,510,109.40
Surplus (Deficit)	328,770,245.11	127,882,648.46
Sources and Utilization of Funds		
Appropriations	799,304,721.00	364,849,148.59
Allotments	775,652,738.52	362,976,525.00
Continuing Appropriations	23,651,982.48	1,872,623.59
Obligations Incurred	646,821,496.90	339,442,059.03
Disbursements	323,233,073.49	209,559,123.47
Unobligated Allotments	152,483,224.10	25,407,089.56

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances for CY 2015 is shown in Annex A.

C. Operational Highlights

Most of the targeted projects/activities for the year were accomplished except for the management of downtime events that occurred in connection with the production and dissemination of information, which also affected the target audience reach of promotional/special events. The website was hacked several times resulting in more downtime events, which was beyond the agency's control.

Major Final Output	Accomplishment		
	Target	Actual	%
1. Management and preservation of historical objects –			
a. No. of historical objects (monuments, shrines, sites, landmarks, relics and documents)	600	1,023	171
b. % of protected and preserved sites open for public viewing	90%	90%	100
c. % of visitors who rate the quality of preservation as good or better	90%	90%	100

Major Final Output	Accomplishment		
	Target	Actual	%
d. Average percentage of the year for which protected and conserved historical sites are open to the public during business hours	90%	90%	100
2. Production and dissemination of historical information –			
Set 1 – Production of information:			
a. No. of historical records maintained in the databases	565	749	133
b. % of online requests for information met within five minutes	90%	90%	100
c. % of desk requests for information met within 30 minutes	90%	90%	100
d. % of web page users who rate the quality of the web page as good or better	90%	90%	100
e. No. of days as a % of the total number of days of the year in which one or more downtime events occurred	12	6	50
f. % of downtime events that lasted longer than five minutes	10%	10%	100
Set 2 – Dissemination:			
a. No. of promotion/special events held	85	112	132
b. Estimated target audience reach of promotional/special events	9,000	7,300	81
c. Average % of participants/audience who rate the events as good or better	90%	90%	100
d. Average % of target audience surveyed that is aware of the promoted message	90%	90%	100
e. % of events that commented within one hour of original scheduled start time	90%	90%	100

D. Scope of Audit

The audit covered the accounts and operations of the NHCP for CY 2015. It was aimed to assess the implementation of identified program/project, determine the fairness of the presentation of the financial statements and ascertain compliance with laws, rules and regulations.

E. Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of NHCP for CY 2015 because of the effects of the failure of the agency to complete/submit inventory reports and maintain subsidiary records on Property, Plant and Equipment (PPE) accounts rendering doubt on the

reliability of their carrying amounts totaling ₱608,695,409.97, net of accumulated depreciation of ₱99,749,423.75, which was 70 percent of the total assets of ₱869,100,794.76.

F. Observations and Recommendations

The following are the other audit observations and corresponding recommendations, which were discussed with Management officials concerned, details of which are further discussed in the report. Management views and comments were also incorporated in the report, where appropriate.

1. Inter-Agency Receivable accounts amounting to ₱58,569,000.19 or 59 percent of the total account balance of ₱99,148,430.19 remained outstanding as of December 31, 2015 contrary to Commission on Audit (COA) Circular Nos. 94-013 and 2007-001 dated December 13, 1994 and October 25, 2007, respectively.

We reiterated our recommendation that Management require the Chief Accountant to:

- a. send demand letters to all Implementing Agencies (IAs) with outstanding accounts; and
- b. closely monitor/coordinate with recipient agencies/organizations for the immediate liquidation of funds transferred in conformity with COA Circular No. 94-013 and Section 5.4 of COA Circular No. 2007-001.

2. The carrying amounts as of December 31, 2015 of the *Advances to Special Disbursing Officers (SDOs)* and *Advances to Officers and Employees* accounts amounting to ₱6,527,096.76 and ₱1,034,878.31, respectively or a total of ₱7,561,975.07 included past due accounts totaling ₱968,991.79 contrary to Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-004 dated November 28, 2012.

We reiterated our recommendations that Management:

- a. compel the concerned SDOs and officers/employees to liquidate their cash advances within the prescribed period and refrain from granting additional cash advance to those who have unsettled cash advance;
- b. instruct the Chief Accountant to withhold the salaries of erring accountable officers; and
- c. exert extra effort to locate all the necessary records and documents to establish the validity of the ₱731,473.65 outstanding cash advances and subsequently make necessary action for its collection/liquidation,

otherwise, request authority for its write off pursuant to COA Circular No. 97-001 dated February 5, 1997.

3. Building and Other Structures, Office Equipment, Infrastructure Assets Furniture and Fixtures and other insurable properties with an aggregate cost of ₱204,774,411.88 were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS).

We recommended that Management require the Commemorative and Museums Division (CMD) and the Historic Preservation Division (HPD) to assess all existing PPE and determine which are insurable assets including insurable risk or insurable interest; and the Property Officer to submit an updated inventory of all insurable properties to the GIF using the form prescribed by the GSIS for determination and approval of appropriate insurance coverage.

4. The Construction in Progress (CIP) – Infrastructure Assets account amounting to ₱8,376,024.21 was not been reclassified to the proper asset account despite being dormant for a number of years contrary to Section 41, Volume I of the (MNGAS) and other pertinent provisions.

We recommended that Management instruct the Chief Accountant to coordinate with personnel concerned in the HPD for an inventory of existing plaza, parks and monuments that were constructed/acquired as part of existing and previous projects of NHCP; determine which are carried in the CIP account; and correspondingly reclassify them to the appropriate infrastructure asset accounts.

5. The reversion of the unused Notice of Cash Allocation (NCA) amounting to ₱499,633.77 was erroneously recorded using the Accumulated Surplus account instead of the Subsidy from National Government account.

We recommended that Management direct the Chief Accountant to review their records and correspondingly effect adjustments to fairly present the balances of the accounts as at year end.

6. Consulting contracts were paid mobilization fee despite the absence of a written request by the Consultant and an irrevocable standby letter of credit contrary to Paragraph 1.0 of Annex F of the Republic Act (RA) No. 9184 and its Implementing Rules and Regulations (IRR) and the pertinent provisions of Volume 4 of the Manual of Procedures for the Procurement of Consulting Services.

We recommended that Management require the:

- a. Chief, Research Publication Heraldry Division (RPHD) to take necessary steps to recover the mobilization fees that were paid where the requirements of the contract have not been fulfilled; and
 - b. Chief Accountant to require from consultants the submission of letter of request and irrevocable standby letter of credit before the 15 percent mobilization fee is granted for all consultancy contracts of NHCP.
7. Official travels of NHCP employees and officers were treated and accounted for as reimbursement contrary to the provisions of COA Circular No. 96-004 dated April 19, 1996. Moreover, traveling expenses in the amount of P195,127.73 were in excess of the allowable rates prescribed under Executive Order No. 298 dated March 23, 2004.

We recommended that Management instruct the a) Accountant to treat and account for official local and foreign travels as cash advances and only process payments for traveling expenses that are within the allowable rates, b) officers and employees who incurred traveling expenses in excess of the allowable rates to submit justification for violating EO No. 298, and c) Chief of Divisions concerned to ensure that travels are planned ahead and coordinated with the Accounting Division to ensure that cash advances are granted and processed ahead of the scheduled travel. In the extreme cases that cash advances are not processed on time, reimbursement of travel expenses should not deviate from the conditions imposed under EO No. 298.

8. Some computers intended for the eLearning Program remained idle and exposed to elements due to their delivery to the site ahead of the scheduled museum opening thereby contributing to their deterioration even before they were actually utilized for the intended purpose.

We recommended that Management instruct the Chief, CPD to ensure that for similar future endeavors, the dates between the delivery of computers as well as other assets susceptible to the harsh effects of the elements and the actual utilization of these assets coincide to avoid early deterioration that may be brought about by premature exposure to the elements.

9. The performance metrics implemented for the eLearning Program were not adequate to measure the accomplishments of the program from the perspective of the users.

We recommended that Management require the Chief, CMD to revisit the eLearning Program evaluation strategies and define performance metrics that would be indicative of the interests of shrine/museum visitors particularly the eLearners. Appropriate performance metrics may include lesson/module

content, presentation and design, structure and interactivity, web page accessibility, learning environment, and shrine/museum personnel competency. It is also important that these metrics are aligned with the agency's vision and organizational outcomes.

10. The annual Gender and Development (GAD) plan and budget for CY 2015 totaling ₱11,590,000.00 or one percent of the agency's total appropriations of ₱909,500,000.00 was below the required allocation of at least five percent of the total budget contrary to Section 33 of the General Appropriations Act (GAA) for Fiscal Year (FY) 2015.

We recommended that Management require the officials concerned, particularly its GAD Focal Point System (GFPS), to prepare and submit its annual GAD Plans and Budgets (GPB) of at least five per cent of the agency's total appropriations for the year. Likewise, require the agency's GFPS to submit the same to the Philippine Commission on Women (PCW) on time for review and endorsement to the Department of Budget and Management (DBM) prior to the submission of the agency budget proposal pursuant to Section 8.0 of the Joint Circular No. 2012-01.

G. Status of Audit Suspensions, Disallowances and Charges

There were no Notices of Suspension and Notices of Disallowance issued in CY 2015. In December, 2015, a previous year disallowance amounting to ₱240,904.59 was settled by Mr. Reynaldo Inovero under Official Receipt No. 9904952 dated December 8, 2015 and taken up in the books through JEV No. 2015-12-409 RA. This reduced the beginning balance of the Receivables-Disallowances/Charges account of ₱586,993.56 to ₱337,088.97, which remained unsettled as of audit date.

H. Implementation of Prior Years' Audit Recommendations

Of the 32 audit recommendations contained in the prior year's Annual Audit Report, nine were fully implemented, 12 were partially implemented and 11 were not implemented. The details are presented in Part III of this report.