

PART I

Executive Summary

INTRODUCTION

Providing for the housing needs of the people especially those belonging to the poor sector of the society is a big and challenging task the government has to embrace. Significant effort and resources have been devoted to addressing the housing problems in the country, yet much still remains to be done.

Provision of affordable housing requires government intervention, and the degree of such intervention needs to be defined. This is to ensure a balance in the roles/participation among agencies/sectors involved in the housing program of the government. In the process of meeting the housing needs of the people, the government must also focus on its ultimate objective of eventually empowering the people to enable them to address their own housing needs.

The Medium-Term Philippine Development Plan or the MTPDP for the plan period 2001-2004 reported that the supply of houses has not been increasing and the costs of available housing are unaffordable, especially to low-income families who have no access to credit markets for housing. This matter is exacerbated by a land market that limits reallocation of rights to the most valuable use of land. As a result, informal settlements continue to persist. Past housing programs have enabled non-poor households to have access to the formal housing markets. However, socialized housing is inaccessible to the poor, especially those in the urban areas. The bottom 40 percent of urban households had to resort to informal housing or informal settlements characterized by congestion and very poor living conditions.

Under the MTPDP for the above stated plan period, the housing sector targets the provision of shelter security to 1,200,000 households that translates to a funding requirement of ₱215.16 billion. The target adopts a 73 percent to 27 percent ratio in favor of socialized housing, principally for the bottom 40 percent of households because of their inability to access the formal housing markets. This will mean providing these households with affordable socialized housing through efficient production of housing units for ownership and sustainable housing finance.

Executive Order (E.O.) No. 90, s.1986 identified the four key agencies for housing as follows: the National Housing Authority (NHA), the National Home Mortgage Finance Corporation (NHMFC), the Human Settlements Regulatory Commission (now called the Housing and Land Use Regulatory Board or HLURB) and the Home Financing Corporation (renamed as the Home Insurance and Guaranty Corporation then as the Home Guarantee Corporation or HGC under Republic Act No. 8763 dated 29 March 2000.)

The NHA is mandated as the sole government agency engaged in direct shelter production focused on providing housing assistance to the lowest 30 percent of urban income-earners through slum upgrading, squatter relocation, and development of sites and services and construction of core-housing units.

The NHMFC is the major government home mortgage institution and is tasked to operate a viable home mortgage market, utilizing long-term funds principally provided by the Social Security System, the Government Service Insurance System, and the Home Development Mutual Fund to purchase mortgages originated by both private and public institutions.

The HLURB is the sole regulatory body for housing and land development. It ensures rational land use for the equitable distribution and enjoyment of development benefits.

The HGC mobilizes all necessary resources to broaden the capital base for the effective delivery of housing and other related services, primarily for the low-income earners through a viable system of credit insurance, mortgage guarantee and securitization.

Charged with the main function of coordinating the activities of the government housing agencies to ensure the accomplishment of the National Shelter Program (NSP) of the government is the Housing and Urban Development Coordinating Council or HUDCC.

The NSP is the government's comprehensive strategy to address the country's housing problem. It rests on three basic principles, namely: (1) reliance on the initiative and capability of beneficiaries to solve their housing problem with minimum assistance from the government; (2) the private sector as the principal player in providing decent and affordable housing; and (3) the government as enabler, facilitator and catalyst in the housing market, while focusing assistance to families within the poverty line. (The State of Philippine Housing Programs: A Critical Look at How Philippine Housing Subsidies Work by Llanto and Orbeta, Jr., 2001)

AGENCY BACKGROUND

The HLURB was formerly known as the Task Force on Human Settlements (TFHS) created in 1973 under Executive Order (E.O.) No. 419. In 1976, it was renamed Human Settlements Commission (HSC) under Presidential Decree (P.D.) No. 933. It was further renamed Human Settlements Regulatory Commission (HSRC) in 1978 by virtue of P.D. No. 1396 and was designated as the regulatory arm of the Ministry of Human Settlements. In 1986, E.O. No. 90 again renamed the HSRC as the Housing and Land Use Regulatory Board and

designated the office as the regulatory body for housing and land development under the Housing and Urban Development Coordinating Council (HUDCC).

The HLURB is the sole regulatory body for housing and land development. It is mandated to encourage greater private sector participation in low cost housing development through the liberalization of development standards, simplification of regulations and decentralization for permits/licenses. Foremost among its functions is the protection of buyers of housing units and homelots, and condominium units against unscrupulous practices in the industry. As a regulatory body, the HLURB is in charge in the registration of subdivision lots and condominium projects as well as in the issuance of licenses to sell subdivisions lots and condominium units.

The HLURB is under the administrative supervision of the Office of the President. Policy-making is vested in a nine-member Board of Commissioners, with the Chairman of the HUDCC at the helm. It has fifteen (15) regional offices (ROs) with each RO headed by a Regional Field Officer who oversees the operations of HLURB at the regional level.

OVERALL AUDIT OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the management systems and procedures for the:

- funding of shelter security units;
- reporting, monitoring, and coordination;
- distribution/disposition of shelter security units to the intended beneficiaries; as well as
- occupancy by the intended beneficiaries

are adequate and effective and whether these contributed effectively to the attainment of the objective of the government in providing shelter security units to the low-income group.

The audit covered the following:

- Mandated sources of funds from the Public Estates Authority (PEA), the Philippine Amusement and Gaming Corporation (PAGCOR), and the Philippine Charity Sweepstakes Office (PCSO)
- Projects constructed and /or awarded or disposed/distributed for the period 01 January 2001 to 30 June 2002

- Selected socialized housing projects in the City of Pasig (Community Mortgage Program or CMP), and in the Municipality of Rodriguez, formerly Montalban, Province of Rizal (Resettlement Program)
- Shelter security units valued at/costing ₱180,000 and below
- Intended beneficiaries with annual income below ₱60,000

With regard to funding, the team focused only on the verification of whether the intended funds were made available and remitted for the housing program of the government.

The audit was undertaken in six agencies: HUDCC, NHA, NHMFC, HLURB, City of Pasig, and Municipality of Rodriguez in the Province of Rizal. Surveys and interviews were also conducted in the Department of Budget and Management (DBM), the Bureau of the Treasury (BTr), and the National Economic Development Authority (NEDA) to confirm data/information gathered during the audit of the six agencies.

It was conducted from 22 July to 30 October 2002 pursuant to Assignment Order No. 2002-020 issued by the Commission on Audit on 18 July 2002.

SPECIFIC AUDIT OBJECTIVE AND SCOPE

Insofar as the HLURB is concerned, the audit was aimed at determining whether the agency's systems and procedures effectively contributed to the government's objective of providing shelter security units to the targeted low-income group taking into consideration the factors enumerated in the overall audit objective.

It was limited to an examination of the role of the HLURB in the implementation and monitoring of compliance with the provisions of Section 18 on Balanced Housing Development of Republic Act (R.A.) No. 7279, otherwise known as the Urban Development and Housing Act of 1992 or the UDHA.

JUSTIFICATIONS FOR CHOICE OF AREA

Priority program of the government per MTPDP

Addresses concerns of target beneficiaries as to:

- Funds being diverted for other purposes
- Awardees and/or occupants not being the target beneficiaries

Congressional concern

Media interest (regular media/news coverage)

AUDIT APPROACH AND METHODOLOGY

The performance of the agency was assessed using the following criteria:

- Established policies and procedures
- Effective reporting and monitoring mechanisms
- Effective coordination mechanisms and strategies
- Systematic risk management program

The following approaches/methodologies were employed during the audit:

- File review
- Interviews and discussions with agency officials and personnel
- Collection and analysis of data
- Review of results of analyses of data
- Assessment of risk management/controls testing

AUDIT CONCLUSION

The audit concluded that the risk management and the monitoring and coordinating mechanisms and strategies of the HLURB have not totally contributed to the overall objective of the government in providing shelter security units to the targeted low-income group. The audit noted the existence of risks and weaknesses in the implementation of the 20 percent requirement by HLURB as follows:

- Multi-application of the same socialized housing units (SHUs) or usage of housing units of SHU developers as 20 percent compliance; and
- Housing units sold at over ₱180,000 established price for socialized housing units.

The foregoing risks were not adequately managed in the sense that there is no adequate monitoring of the 20 percent requirement as discussed in the pertinent portion of the report.