

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine Center for Economic Development (PCED) was created on May 13, 1974 under Presidential Decree (PD) No. 453 with primary functions that include providing financial and moral support in the research, teaching, training and other programs of the University of the Philippines School of Economics (UPSE). It was envisioned to engage in the conduct of relevant research works for publication and dissemination for the capacity building efforts of government in the field of economics and a venue for the exchange of ideas that can effectively be applied in economic development.

To provide a source for the funding of programs and projects of the PCED, established under Section 6 of PD No. 453, is the Endowment Fund which shall be self-sustaining and shall consist of contributions, donations, bequests, grants and loans from domestic and/or foreign sources, government subsidy appropriations and other income accruing from its operations. The fund shall be administered by the Board of Trustees (BOT).

The affairs of PCED are governed by a BOT. As of December 31, 2020, the Chairman and the seven members of the BOT are as follows:

Chairman: Karl Kendrick T. Chua	-	Director General, National Economic and Development Authority (NEDA)
Members: Salvador C. Medialdea	-	Executive Secretary, Office of the President
Ramon M. Lopez	-	Secretary, Department of Trade and Industry
Carlos G. Dominguez III	-	Secretary, Department of Finance
Wendell E. Avisado	-	Secretary, Department of Budget and Management
Benjamin E. Diokno	-	Governor, Bangko Sentral ng Pilipinas
Danilo L. Concepcion	-	President, University of the Philippines (UP)
Orville Jose C. Solon	-	Dean, UPSE

The PCED building complex is located in UP Diliman, Quezon City and houses the UPSE. The complex includes 11 classrooms, 30 faculty rooms, 5 meeting and seminar rooms, 7 school administration offices, a faculty lounge, a computer laboratory, a three-storey library building and an auditorium.

As of December 31, 2020, the Center had nine regular employees and seven part-time officials and other personnel.

FINANCIAL HIGHLIGHTS

	2020	2019	Increase/ (Decrease)
Assets	P 213,524,408	P 207,846,244	P 5,678,164
Liabilities	12,112,366	10,238,041	1,874,325
Net assets/equity	201,412,042	197,608,203	3,803,839
Surplus for the period	3,852,199	(7,194,444)	11,046,643

Sources of revenue:

	2020	2019	Increase/ (Decrease)
Subsidy from national government	P 30,791,000	P 23,954,000	P 6,837,000
Service and business income	4,646,360	5,623,329	(976,969)
	P 35,437,360	P 29,577,329	P 5,860,031

Expenses:

	2020	2019	Increase/ (Decrease)
Personnel services	P 4,347,463	P 2,924,126	P 1,423,337
Maintenance and other operating expenses	25,346,493	31,616,999	(6,270,506)
Financial expenses	837	10,250	(9,413)
Non-cash expenses	1,890,368	2,220,398	(330,030)
	P 31,585,161	P 36,771,773	P (5,186,612)

2020 Approved Corporate Operating Budget (COB) vs. Actual Expenditures:

	Per COB	Actual Expenditures	Variance
Personnel services	P 3,501,000	P 4,347,463	P (846,463)
Maintenance and other operating expenses	20,490,000	25,346,493	(4,856,493)
Capital outlay	13,495,000	-	13,495,000
Financial expenses	-	837	(837)
	P 37,486,000	P 29,694,793	P 7,791,207

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of PCED for Calendar Years (CYs) 2020 and 2019 in accordance with International Standards of Supreme Audit Institutions (ISSAIs). It was also aimed at expressing an opinion as to whether the financial statements present fairly the PCED's financial position, results of operations and cash flows, and determining the Agency's compliance with pertinent laws, rules and regulations.

AUDITOR'S OPINION

We rendered an unmodified opinion on the fairness of the presentation of the financial statements of the PCED for CYs 2020 and 2019.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The Accounts Payable (A/P) account with year-end balance of P3.195 million included payables amounting to P1.614 million which have been long outstanding for more than four to eight years and were not reverted to the Cumulative Results of Operations - Unappropriated (Accumulated Surplus/(Deficit) account under the Revised Chart of Accounts), contrary to the guidelines prescribed under the Department of Budget and Management – Commission on Audit (DBM-COA) Joint Circular No. 99-6 dated November 13, 1999, implementing Executive Order (EO) No. 109 dated June 18, 1999.
 - 1.1 We recommended and Management agreed to instruct the Accounting Unit to:
 - a. Analyze and monitor all payable accounts that remained outstanding in the books for two years or more;
 - b. Revert to Accumulated Surplus/(Deficit) account all A/Ps that remained outstanding for two years or more, duly supported by a list of A/Ps reverted; and
 - c. Maintain subsidiary ledgers for all A/Ps reverted to Accumulated Surplus/(Deficit) account, for proper monitoring and future reference.
2. Research reports and the letters of request for extension on the submission of final research paper were not submitted by the PCED contractors within the specified period agreed upon, contrary to Sections 4, 6 and 9 of the Terms and Conditions of the Research Contract. Moreover, a contractor was granted final payment of P292,433 despite the delayed submission of the final report for seven (7) months and absence of approved request for extension.
 - 2.1 We recommended and Management agreed to:
 - a. Monitor strictly the timeframe of submission of the progress reports including the letter request for extension of the contractor, if necessary, as provided in the Terms and Conditions of the Research Contract;
 - b. Issue a notice of demand to the contractor in case of delayed/non-submission of the required reports; and
 - c. Revisit the Terms and Conditions of the Research Contract for possible inclusion of a provision on the cancellation and non-payment to contractors who failed to submit the final reports for a period of six (6) months or more.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

For CY 2020, the Audit Team has not issued any notices of suspension, disallowance and charge. Likewise, there were no unsettled suspensions, disallowances or charges as of December 31, 2020.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the nine audit recommendations embodied in the prior year's Annual Audit Report, three were fully implemented, four were partially implemented and two were not implemented.