

EXECUTIVE SUMMARY

A. Introduction

The Human Rights Violations Victims' Memorial Commission (HRVVMC) is a National Government Agency established on February 25, 2013 and operates under the authority of Republic Act (R.A.) No. 10368, otherwise known as an "Act Providing for the Reparation and Recognition of Victims of Human Rights Violations during the Marcos Regime, Documentation of said Violations, Appropriating Funds Therefore and for Other Purposes". Its mandate is to establish, restore, preserve and conserve a Memorial, Museum, Library, and Compendium in honor of the human rights violations victims (HRVVs) during the Marcos regime.

The power and function of the Commission shall be assumed by the Board of Trustees which is composed of the following: the Chairperson of the Commission on Human Rights (CHR) Jose Luis Martin C. Gascon as the Chairperson; Chairperson of the National Historical Commission (NHC) as Co-Chairperson; and Chairperson of the Commission on Higher Education (CHED), the National Commission on Culture and Arts (NCCA), the Secretary of the Department of Education (DepEd) and the Head of the University of the Philippines-Diliman Main Library, as members.

The Commission also coordinates and collaborates with the DepEd and the CHED to ensure that the teaching of Martial Law atrocities, the lives and sacrifices of HRVVs in our history are included in the basic, secondary and tertiary education curriculum.

As of December 31, 2019, the HRVVMC has a manpower complement of 58 personnel composed of nine permanent, 18 consultants and 31 contractual positions.

B. Financial Highlights

The comparative financial condition as well as the sources and application of funds of the HRVVMC for the calendar years 2019 and 2018 are as follows:

<u>Particular</u>	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>
<i>(In Philippine Peso)</i>			
A. Financial Condition			
Assets	4,520,217.43	3,349,530.55	1,170,686.88
Liabilities	4,965,664.05	1,863,206.53	3,102,457.52
Net Assets/ Equity	(445,446.62)	1,486,324.02	(1,931,770.64)

<u>Particular</u>	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>
<i>(In Philippine Peso)</i>			
B. Sources and Application of Funds			
Allotments Received	46,369,910.00	28,565,000.00	17,804,910.00
Obligations Incurred	31,032,613.00	11,706,273.00	19,326,340.00
Unexpended Balance	15,337,297.00	16,858,727.00	(1,521,430.00)

The details of allotments, obligations and balances are presented in *Annex A* of this report.

C. Scope of Audit

The audit covered the financial transactions as well as selected areas of operations of the HRVVMC for the period January 1 to December 31, 2019. It was aimed to a) verify the level of assurance that may be placed on Management's assertions on the financial statements; b) recommend agency's improvement opportunities; and c) determine the propriety of transactions as well as the extent of compliance with pertinent laws, rules and regulations.

D. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the HRVVMC for CY 2019 due to the following accounting deficiencies, the details of which are discussed in Part II of this report and the analysis of their effects on the Financial Statements are shown in *Annex B*:

1. The absence of a) Supplies Ledger Card (SLC) and Stock Card (SC) for *Inventories* and Property Plant and Equipment Ledger Card (PPELC) and Property Card (PC) for *PPE*; and b) the failure to conduct physical count of properties, constrained the Audit Team to verify the accuracy and existence of the *Inventories* totaling ₱0.414 million and *PPE* accounts with the cost and net carrying amount of ₱0.996 million and ₱0.933 million, respectively, cast doubt on the accuracy and reliability of the amount presented in the financial statements as of December 31, 2019. (*Paragraph No. 7*)

We recommended and Management agreed to:

- a. Direct the Chief Administrative Officer to create an Inventory Committee to conduct the physical count of Inventory and *PPE* as required in Section 13, Chapter 8 and Section 38, Chapter 10 of the GAM, Volume I; and

- b. Instruct the concerned accounting and property personnel to prepare and maintain required records, forms and reports provided for under Section 17, Chapter 8 and Section 42, Chapter 10, Volume I of the GAM, and cause submission thereof to COA, whenever necessary.
2. *Advances to Officers and Employees* of ₱96,954.34 and *Advances to Special Disbursing Officers* of ₱0.409 million remained unliquidated as at year-end due to: a) the failure of the Accountable Officers (AOs) to immediately render Liquidation Report (LR) as required under COA Circular No. 97-002; and b) the failure of the Accountant to ensure the proper granting and timely liquidation of cash advances, thereby resulted in overstatement of *Advances to Officers and Employees* and *Advances to Special Disbursing Officers* and understatement of the related *Expenses* accounts. (Paragraph No. 23)

We recommended and Management agreed to:

- a. Issue demand letters to all concerned AOs to immediately liquidate their cash advances as soon as the purpose for which these were granted have been completed and remind them to ensure strict compliance with COA Circular No. 97-002; and
- b. Direct the Accountant to ensure the proper granting and timely liquidation of cash advances and make sure that all cash advances, except petty cash fund, are liquidated at the end of each year.

E. Other Significant Observations and Recommendations

1. Ineffective application of internal control and non-compliance with rules and regulations on Supply and Property management, resulted in some gaps characterized by: (a) custodianship not exercised by regular employee; (b) Supply and Property custodian without the required bond; (c) absence of records, forms and reports and non-submission thereof; and (d) failure to obtain necessary insurance, ultimately exposing government property to risk of losses and without indemnity in case of catastrophic events. (Paragraph No. 40)

We recommended and Management agreed to:

- a. Designate a regular employee to handle supply and property custodianship to adhere with CSC, COA and DBM JC No. 1;
- b. Instruct the Chief Administrative Officer to require all personnel handling the custody and accountability of properties to secure fidelity bonds under the Bureau of Treasury regulations;

- c. Instruct concerned accounting and property personnel to prepare and maintain required records, forms and reports provided for under Section 17, Chapter 8 and Section 42, Chapter 10, Volume I of the GAM, and cause submission thereof to COA, whenever necessary, for examination purposes;
 - d. Instruct Chief Administrative Officer to identify accounting and property personnel training needs and allocate necessary budget thereof; and to ensure that all insurable properties have insurance coverage thru PIF-GSIS, to protect the government from losses.
2. The agency did not implement projects worth ₱1.200 million two years after the agreement was signed with National Historical Commission of the Philippines (NHCP) due to late transfer of funds from the latter and delayed formulation of extension agreement, thus, the intended purpose of promoting awareness and understanding of Martial Law and Human Rights Violation were not achieved. (*Paragraph No. 64*)

We recommended and Management agreed to:

- a. Formulate a catch-up plan including proper and immediate representation with the NHCP for the reasonable extension the MOA bearing on its intended purpose;
 - b. Instruct the Chief Administrative Officer and the Budget Officer to follow up the release of fund from the DBM and BTr for immediate utilization and implementation of the projects; and
 - c. Moving forward, instruct all concerned officers, particularly project focal/manager to allow sufficient lead time for administrative process and project planning and formulation to achieve the intended purpose and maximize the project's benefits.
3. The failure of the Accountant to prepare the Registry of Allotments and Notice of Cash Allocation (RANCA) prescribed under Section 3, Chapter 6, Volume 1 of the Government Accounting Manual (GAM) to adequately monitor the NCAs; and the delays in the processing and payment of the agency's obligations for the year in accordance with the timeline set-forth under DBM National Budget Circular Letter No. 2019-15, resulted in the non-utilization and reversion of ₱5.567 million comprising 16.66 percent of the total NCAs of ₱33.412 million and further causing deficit of ₱1.749 million and negative balance of Net Assets/Equity of ₱0.446 million in the HRVVMC financial statements as at December 31, 2019. (*Paragraph No. 79*)

We recommended and Management agreed to:

- a. Instruct the Accountant to prepare and maintain the Registry of Allotments and Notice of Cash Allocation (RANCA) to give and report up to date and accurate view of NCA utilization and balances for Management corrective action;
 - b. Instruct the processing clerks and the Accountant to speed up the processing and ensure timely payment of Accounts Payable to preclude incurrence of unutilized balance of NCAs and its reversion thereof; and
 - c. Strictly adhere to COA rules/regulations and guidelines and DBM Circulars on the preparation and submission of agency's financial reports and accountabilities, moving forward.
4. The HRVVMC was not able to prepare GAD Plan and Budget for CY 2019 that shall be integrated in the regular activities of the agency, which shall be at least five percent of their 2019 General Appropriations Act (GAA) amounting to ₱1.575 million intended for GAD-related activities, thus, the objectives of the country's commitments, plans and policies on women empowerment and gender equality as well as addressing the gender issues within their concerned sectors or mandate have not been attained. *(Paragraph No. 94)*

We recommended and Management agreed to designate GAD focal person or committee and direct them to prepare GAD Plan and Budget for GAD related activities in compliance with Joint Circular No. 2004-001 issued by DBM, NEDA and PCW and the relevant provision under the General Appropriations Act (GAA).

The above findings and recommendations contained in the report were discussed with concerned agency officials in an exit conference held on October 28, 2020. Management's views and reactions were considered in the report, where appropriate.

F. Status of Implementation of Prior Year's Audit Recommendations

This is an initial annual audit report; hence, there is no prior year's audit recommendation for implementation.