

EXECUTIVE SUMMARY

A. Introduction

The Office of the Government Corporate Counsel (OGCC) serves as the principal law office of all Government Owned and Controlled Corporations (GOCCs), including government corporate entities and chartered institutions through Administrative Order (AO) 392, Republic Act (RA) 6000 and Executive Order (EO) 878. It controls and supervises the legal departments/divisions of GOCCs. It ensures harmony of legal positions. It also arbitrates issues between GOCCs and issues rules and regulations. It is committed to uphold justice under the rule of law with integrity, excellence and professionalism.

OGCC is headed by Government Corporate Counsel (GCC) Elpidio J. Vega. He is assisted by Deputy Government Corporate Marilyn G. Estaris who was appointed on December 3, 2019.

At the end of CY 2019, two Assistant Government Corporate Counsel (AGCC) position were vacated due to promotion of Atty. Estaris as Deputy Government Corporate Counsel and the retirement of AGCC Efren B. Gonzales effective March 28, 2019.

The recruitment process of OGCC is on-going to fill up its manning requirements. The agency has a total manpower of 117 regular employees as of year-end which is 83.57 percent of the total requirements of 140 plantilla positions to support its mandate.

On November 11, 2019, OGCC has passed the Certification Audit for International Organization for Standardization ISO 9001:2015 Quality Management System.

B. Financial Highlights

Under RA 11260 (GAA 2019), the agency had a total appropriation of ₱212,311,000.00 for CY 2019.

The financial condition, results of operations and sources and application of funds for CY 2019, with corresponding figures for CY 2018, are summarized as follows:

Particulars	2019	2018	Increase/ (Decrease)
Financial Position			
Total Assets	54,728,751.12	17,987,752.72	36,740,998.40
Total Liabilities	42,690,913.32	10,632,480.90	32,058,432.42

Particulars	2019	2018	Increase/ (Decrease)
Equity	12,037,837.80	7,355,271.82	4,682,565.98
Financial Performance			
Total Expenses	205,751,433.56	156,181,534.67	49,569,898.89
Net Financial Assistance-Subsidy	210,821,800.59	154,839,408.22	55,982,392.37
Excess of Income/(Expenses) over Expenses/Income	(5,070,367.03)	1,342,126.45	(6,412,493.48)
Sources and Application of Funds			
Allotments Received	222,169,791.00	162,424,070.00	59,745,721.00
Obligations Incurred	212,108,126.58	155,852,650.16	56,255,476.42
Unexpended Balance	10,061,644.42	6,571,419.84	3,490,224.58

OGCC also received funds from client GOCCs as authorized under Section 4 of Presidential Decree 1415 for payment of allowances, attorney fees and special assessment fees totaling ₱22,194,921.39.

C. Operational Highlights

The Agency reported the following accomplishments per performance indicator for CY 2019:

a. Opinions and Contract Reviews

	Opinions	Contract Reviews
Beginning Balance	21	34
Requests for 2019	417	1,218
Total	438	1,252
Acted Upon	438	1,252
Ending Balance	-	-
Disposition Rate	100%	100%

b. Litigation

Beginning balance	5,231
New cases	332
Terminated cases	282
Pending cases	5,281

At the beginning of the year, OGCC was handling 5,231 cases, a carry-over from the previous year. The OGCC has received 332 new cases for 2019 of which 282 cases were terminated by virtue of the decisions from the various judicial, quasi-judicial and administrative agencies while the rest are cases already acted upon by OGCC but remained pending in lower and/or appellate courts.

D. Scope of Audit

The audit covered the transactions and operations of the OGCC for CY 2019.

E. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the OGCC as of December 31, 2019 due to accounting errors amounting to ₱5,210,274.55 or 9.52 percent of total Assets which exceeded the materiality level of ₱1,094,575.02 as shown in Annex A of the report.

F. Summary of Observations and Recommendations

1. Various unliquidated cash advances totaling ₱181,153.58 granted to officers and employees remained outstanding in the books of accounts from 12 to 30 years contrary to COA Circular No. 2016-005 dated December 10, 2016. (Observation No. 1)

We recommended that Management instruct the Accountant to validate the propriety of the long outstanding balances and to request for write-off in accordance with the procedures under COA Circular No. 2016-005. Moreover, draw a Journal Entry Voucher to adjust the over liquidation of Felicidad Marte amounting to ₱9,000.00.

2. The *Property, Plant and Equipment (PPE)* accounts with a year-end balance of ₱9,637,235.99 were unreliable due to: a) non-periodic reconciliation of Accounting and Property records resulting in material difference of ₱2,113,198.62; (b) variances in acquisition cost and accumulated depreciation amounting to ₱2,851,179.58 and ₱2,085,782.61 respectively; and c) inclusion of Semi-Expendable Books amounting to ₱1,145,474.41. (Observation No. 2)

We recommended that Management a) require the Chief Accountant and Supply/Property Officer to maintain and regularly update PPELC and PC to facilitate the reconciliations of their record as required under Section 42 of GAM Volume 1; b) require the Chief Accountant to compute depreciation accurately and draw Journal Entry Voucher (JEV) to record adjustments for current and prior years errors and; c) require the Chief Accountant to prepare Journal Entry Voucher to reclassify semi-expendable items below the capitalization threshold of ₱15,000.00 as inventory upon acquisition and recognize the same as expense upon issuance.

3. Five perfected contracts and their supporting documents were not furnished to the Audit Team within five working days upon perfection thereof as required under Section 3.1 of COA Circular No. 2009-001 dated February 12, 2009; thus,

precluding the timely and relevant review of these contracts and communicating the result thereof. (Observation No. 3)

We recommended that Management compel the BAC Secretariat to prepare a checklist of all the supporting documents as required under COA Circular No. 2009-001 dated February 12, 2009 and see to it that the submission of these documents to the audit team is on time and covered by a transmittal letter with the checklist of attachment properly tabbed/labeled to ensure completeness thereof.

The foregoing observations and recommendations were discussed with the concerned officials of the agency in an exit conference conducted on March 5, 2020. Management views and reactions were considered in the report, where appropriate.

G. Status of Settlement of Audit Suspensions, Disallowances and Charges

There was no audit suspension issued during the year. However, Notice of Disallowance amounting to ₱3,971,250.00 under ND No. 13/001 TL (2012) is under appeal before the Commission on Audit.

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

All nine audit recommendations contained in the CY 2018 Annual Audit Report were fully implemented. The details are shown in Part III of this report.