

## **EXECUTIVE SUMMARY**

### **A. Introduction**

The Inter-Country Adoption Board (ICAB) is an attached agency of the Department of Social Welfare and Development (DSWD) mandated to be the central authority on matters relating to the foreign adoption placement of Filipino children and the policy-making body for purposes of carrying out the provisions of the aforesaid law.

The Board is composed of Undersecretary of DSWD who acts as Alternate Chairperson and six other members, five of whom are appointed by the President for a non-renewable term of six (6) years. The Board's implementing arm is the Secretariat, which is headed by an Executive Director where the Operations Division and the Administrative and Finance Divisions are placed.

To carry out its function, the Board has a workforce of 29 regular positions and outsourced 18 personnel through placement agency.

### **B. Operational Highlights**

For CY 2019, the ICAB has undertaken activities and strategies to ensure Filipino children are placed in suitable permanent adoptive families abroad and secured through monitoring and regulation of its partner agencies and ensure compliance with the standards and deter trafficking of Filipino children.

Among its major accomplishments for the year are the following:

- 1) Conducted accreditation/reaccreditation visit to five (5) Foreign Adoption Agencies (FAAs) to regulate their compliance with ICAB standards for intercountry adoption. Among the five FAAs, one USA-based FAA was not due for re-accreditation in 2019 but has been placed on probation in October 2018 and subsequently on suspension in February 2019. The Board decided to make re-assessment visit to determine if the agency will be allowed to continue its Philippine program, thus decided to allow it to operate under probation status until December 2020.
- 2) One 199 children were entrusted to the prospective adoptive parents, among which, four (4) were already entrusted in CY 2018 but only reported in CY 2019 because some social workers use the departure log as basis for reporting.

### **C. Financial Highlights**

The Agency's financial position and financial performance as of December 31, 2019 with comparative figures for CY 2018 are summarized as follows:

Particulars	CY 2019	CY 2018	Increase/ (Decrease)
<b>Financial Condition</b>			
Assets	₱38,441,601.20	₱41,387,693.82	₱ (2,946,092.62)
Liabilities	17,844,571.45	17,296,809.24	547,762.21
Net Assets/Equity	20,597,029.75	24,090,884.58	(3,493,854.83)
<b>Financial Performance</b>			
<b>Revenue</b>	<b>18,037,801.80</b>	<b>24,726,652.86</b>	<b>(6,688,851.06)</b>
Less: Current Operating Expenses			
Personnel Services	21,374,527.59	21,279,475.20	95,052.39
MOOE	33,074,300.42	26,795,404.38	6,278,896.04
Financial Expenses	0.00	0.00	0.00
Non-Cash Expenses	3,147,890.27	1,921,031.30	1,226,858.97
<b>Total Current Operating Expenses</b>	<b>57,596,718.28</b>	<b>49,995,910.88</b>	<b>7,600,807.40</b>
<b>Surplus/(Deficit) from Current Operations</b>	<b>(39,558,916.48)</b>	<b>(25,269,258.02)</b>	<b>(14,289,658.46)</b>
Net Financial Assistance/Subsidy	54,715,094.47	55,192,981.94	(477,887.47)
Other Non-Operating Income-Sales of Assets	22,198.65	34,034.91	(11,836.26)
Gains	0.00	0.00	0.00
Losses	(137,877.35)	0.00	(137,877.35)
<b>Surplus/(Deficit) for the Period</b>	<b>₱15,040,499.29</b>	<b>₱29,957,758.83</b>	<b>₱(14,917,259.54)</b>

For CY 2019, the Agency has a total regular, automatic and special purpose fund appropriation of ₱53,345,000.00, ₱1,665,000.00 and ₱885,828.00, respectively, under RA No. 11260. The Agency received total allotments of ₱58,243,888.99 including continuing appropriation of ₱2,348,060.99, of which, total obligations incurred amounted to ₱53,959,342.44, thereby leaving a balance of ₱4,284,546.53.

#### Allotments, Obligations and Balances

Sources of Funds	Appropriation	Allotments	Obligations Incurred	Unobligated Balance
<b>Current Year Appropriation</b>				
Regular	₱53,345,000.00	₱53,345,000.00	₱49,203,528.02	₱ 4,141,471.98
Automatic	1,665,000.00	1,665,000.00	1,657,864.55	7,135.45
Special Purpose	885,828.00	885,828.00	885,827.19	0.81
<b>Continuing Appropriation</b>				
Regular	2,348,060.99	2,348,060.99	2,212,122.68	135,938.31
<b>Total</b>	<b>₱58,243,888.99</b>	<b>₱58,243,888.99</b>	<b>₱53,959,342.44</b>	<b>₱4,284,546.55</b>

#### D. Scope of Audit

The audit covered the financial and compliance audits of the accounts and operations of ICAB for the year December 31, 2019. The audit was conducted 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; and (d) determine the extent of implementation of prior years' audit recommendations.

## **E. Independent Auditor's Report on the Financial Statements**

A qualified opinion was rendered on the financial statements of the ICAB as at December 31, 2019 for the misstatements of *Cash, Treasury/Agency Deposit (TAD), Other Receivables-Disallowances/Charges, Inventories* accounts totalling ₱13,075,744.30 or 34.01 percent of its total assets, while the Liabilities accounts were misstated by ₱2,587,812.28 or 14.50 percent of the total liabilities and Equity account was misstated by ₱10,465,283.63 or 50.81 percent of the total equity, resulting in over/understatements of the affected accounts.

## **F. Summary of Other Significant Audit Observations and Recommendations**

The other significant observations and corresponding recommendations discussed in Part II of this report, are as follows:

1. Inability of ICAB to attain its performance targets in the two (2) Organizational Outcomes/ Performance Indicators for CY 2019 due to circumstances affecting the international trends regarding adoption, diminishing turn-out of children cleared and restrictions on the information and documentary requirements in the matching of children. More so, the erroneous computation of reported percentages and data affected the reliability of the report.

**We recommended and Management agreed to require the:**

- a. **Operations Unit Heads to continue monitoring the processing of papers and documents of pre-adoptive children, especially on the cases of children with lacking information and/or supporting documents to ensure the matching of children to suitable PAPs within 10 days after receipt of Inter-Country Adoption clearance and eventual entrustment of children to Pre-Adoptive Parents during the year; and**
- b. **Project Development Unit (PDU) to:**
  - (i) **carefully compute and assess data/information to be reported in the Agency's Physical Report of Operation to avoid misleading information to the public;**
  - (ii) **apply the proper percentage computation in the Accomplishment Report submitted to the DBM and COA; and**
  - (iii) **identify factors and possible gaps in the output and outcome indicators that could have potential impact and hinder the implementation of objectives and consider adopting other/alternative measures accordingly, in order to keep up with the attainment of its targets.**

2. Non-attainment of ICAB's target revenue for CY 2019 for ₱35,067,000.00, wherein only ₱18,022,364.53 or 51% was reportedly attained, due to the non-recognition of actual collections without the BTr certification and existence of uncontrollable factors relating to adoption procedures; thus, affecting the cash programming of ICAB to support primarily its Maintenance and Other Operating Expenses (MOOE) and Capital Outlay (CO) requirements.

**We recommended and Management agreed to:**

- a. **revisit its guidelines for the treatment and recording of unrecorded collections without BTr certification in order to ensure proper presentation of income in its reports during the period in which it actually relates; and**
  - b. **apply a reasonable amount of safety margin that will take into consideration the emergence of uncontrollable circumstances in the determination of the targeted revenue.**
3. ICAB has not yet established an Internal Audit Services/Unit, contrary to the provisions of pertinent laws, rules and regulations, and depriving the Agency of the valuable services that such unit may provide towards the promotion of : (a) orderly, ethical, economical, efficient and effective operation; (b) accountability; (c) compliance with laws and regulations; and (d) safeguarding of resources.

**We recommended and Management agreed to evaluate and determine the propriety of establishing a separate unit of Internal Audit Services/Internal Audit Unit or to avail of the services of the IAS of the DSWD, and consider the following courses of action:**

- a. **If availment of the services of IAS at the DSWD is more appropriate and opted, coordinate with the Department for the extension of the services of its IAS to the ICAB. Otherwise, the ICAB should create a task force for the review of the existing organizational structure and staffing pattern in the establishment of its IAS/IAU; and**
  - b. **If creation of new plantilla position for the creation of IAS is determined as more plausible and necessary, submit required documents/reports for request of new plantilla position and the funding thereof to the DBM.**
4. The duties and responsibilities assigned to the Accounting and Supply Officers lack check and balance, contrary to the provisions of Section 124 of PD 1445, and exposes the agency to possible control risks.

**We recommended that management observe proper segregation of duties in the designation of Property/Inventory Committee to conduct the physical inventory to ensure that controls are in place.**

5. Subsidiary Ledgers for the Cash TAD - Trust and Trust Liabilities (Pre-adoptive Placement Costs) accounts were not maintained, which resulted in the inaccuracy to provide timely information of the account balance and accumulation of long outstanding amounts totaling ₱16.196 million and ₱16.802 million, respectively, contrary to Appendix 6 – Instructions for the Subsidiary Ledger (SL) of the GAM, Volume II.

**We reiterated our prior years' recommendations and Management agreed to require the:**

**a. Accounting Unit to:**

- (i) **prepare, maintain and regularly update the Subsidiary Ledger of the Pre-adoptive Placement Costs (PPCs) and monthly schedule to support the activity, and balance of the *Trust Liabilities (PPCs)* account for better control of its financial information;**
- (ii) **make necessary adjustments in the deficiencies noted to ensure correctness of the account balance;**

**b. Accounting and concerned Social Worker Officers (SWOs) to determine and summarize the amount of unexpended PPCs for children already adopted as well as those with long outstanding accounts and accordingly refund to the PAPs or reclass into income account; and**

**c. Cashier and SWOs to inform the PAPs on the incurrence of shortage in the processing of pre-travel expenses and request for the immediate refund.**

6. Lapses of the Accountable Officers in the granting, utilization, liquidation/replenishment and reporting of cash advances resulted in unmonitored cash accountability at a given date, and exposing the cash to possible risks of loss or misuse.

**We recommended and Management agreed to require the Accountable officers to:**

**a. disburse only based on an approved Petty Cash Voucher (PCV) to monitor her cash accountability as at a given date;**

**b. prepare RPPCV which shall be the basis in the preparation of Disbursement Voucher (DV) to replenish the Petty Cash Fund (PCF);**

**c. refrain from granting cash advances to SWO without approval of her supervisor;**

d. comply with the required format of Cash Disbursement Record (CDRec) to monitor cash accountability at a given date and ensure compliance with GAM; and

e. use Report of Cash Disbursements form (*Appendix 41*) in liquidating special purpose cash advance as required by GAM.

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

The balances of notice of disallowances, suspensions and charges as of December 31, 2019 are summarized as follows:

**Summary of Receivables-Disallowances Account**

Nature	Balance Dec. 31, 2018	Issued in CY 2019	Settlement	Balance Dec. 31, 2019	Remarks
Disallowance	₱58,371.24	0.00	₱15,755.00	₱42,616.24	Audit disallowances in prior years pertain to accounts of employees/ staff who are no longer connected with the ICAB.
Suspension	331,082.64	6,600,774.18	6,931,856.82	0.00	
<b>Total</b>	<b>₱389,453.88</b>	<b>₱6,600,774.18</b>	<b>₱6,947,611.82</b>	<b>₱42,616.24</b>	

**Status of Unrecorded NDs**

Particulars		Balance as of 12/31/2019	Status
Date	Ref. Number		
04/04/2011	2011-007-101-(10)	₱165,300.00	With petition for review
	2011-008-101-(10)	1,534,200.00	With petition for review
	2011-009-101-(10)	162,855.00	With petition for review
	2011-010-101-(08-10)	355,000.00	With petition for review
02/09/2011	11-001-101-(09)	11,685.35	With petition for review
	11-006-101-(09)	11,685.35	
01/26/2011	11-003-101-(09)	192,612.84	
02/09/2011	11-004-101-(10)	107,983.44	
02/09/2011	11-002-101-(10)	186,867.64	
10/14/2011	11-012-101-(10)	163,800.00	With petition for review
02/20/2012	2012-001-101-(11)	577,000.00	With petition for review
02/28/2012	2012-002-101-(11)	236,500.00	With request for installment payment
08/22/2012	12-003-101-(10)	51,766.36	With petition for review
08/22/2012	12-004-101-(10)	38,487.31	
04/02/2018	2018-001-101 (2017)	25,730.30	NGS-6 Decision No. 2018-058 dated September 11, 2018
04/02/2018	2018-002-101 (2018)	14,784.00	NGS-6 Decision No. 2018-061 dated September 12, 2018
04/02/2018	2018-003-101 (2017)	7,034.20	NGS-6 Decision No. 2018-059 dated September 12, 2018
04/02/2018	2018-004-101 (2017)	78,667.95	NGS-6 Decision No. 2018-037 dated July 05, 2018
07/19/2018	2018-005-101 (2017)	330,861.28	NGS-6 Decision No. 2019-007 dated January 31, 2019
07/19/2018	2018-006-101	398,437.50	NGS-6 Decision No. 2018-063 dated September 25, 2018
07/19/2019	2019-001-101 (2018)	1,200,000.00	With appeal

Particulars		Balance as of 12/31/2019	Status
Date	Ref. Number		
12/23/2019	2019-002-101 (2017)	50,102.49	With appeal
<b>TOTAL</b>		<b>₱5,901,361.01</b>	

#### **H. Status of Implementation of Prior Years' Recommendations**

Of the 69 prior years' audit recommendations, 61 were implemented and 8 were not implemented. The details are presented in Part III of this Report.

**We enjoin Management to ensure full implementation of all audit recommendations to improve the financial and operational efficiency of the Agency.**