

## EXECUTIVE SUMMARY

### A. Introduction

The Intramuros Administration (IA) was created by virtue of Presidential Decree (PD) No. 1616 dated April 10, 1979 for the purpose of restoring and administering the development of Intramuros as a monument to the Hispanic period of Philippine history. Recognizing the IA's restoration and development as a major historical project of the government, its charter was amended under PD No. 1748 dated December 10, 1980.

In view of its operation and control of tourist park and attractions, IA became an attached agency of the then Ministry of Tourism under Executive Order (EO) No. 120 dated January 30, 1987. It remains attached to the Department of Tourism (DOT) by virtue of Republic Act (RA) No. 9593, also known as the "Tourism Act of 2009."

The IA envisions to preserve Intramuros as a cultural oasis and model heritage site, re-awaken a sense of oneness and pride among Filipinos, and ensure partnership with the Intramuros community for mutual upliftment towards a well-preserved cultural heritage and enriched visitor experience.

The Board of Administrators is responsible for the policies and activities of the Administration. The present Administrator reports to the Board and assumes authority as delegated by the Board.

The agency's number of personnel complement of 172 is distributed as follows:

	<b>Regular</b>	<b>Casual</b>	<b>Job-Order</b>	<b>Total</b>
Office of the Administrator	4	2	5	<b>11</b>
Finance and Administrative Division	19	5	8	<b>32</b>
Cultural Properties Conservation Division	7	22	46	<b>75</b>
Urban Planning and Community Development Division	8	1	17	<b>26</b>
Tourism Promotions Division	3	0	2	<b>5</b>
Business Management Division	6	7	0	<b>13</b>
Planning and Management Division	9	0	1	<b>10</b>
<b>Total</b>	<b>56</b>	<b>37</b>	<b>79</b>	<b>172</b>

The offices/divisions assist the Administrator by doing the following functions towards achieving the Administration's goals and vision:

- 1) Finance and Administrative Division (FAD) – responsible for the internal administrative functions, including property, records, personnel management and general services. It also provides financial support services including budgeting, accounting and cash management.

- 2) Cultural Properties Conservation Division (CPCD) – responsible for planning and undertaking actual restoration, construction, landscaping and maintenance works related to the walls, fortifications, parks and plazas; archaeological excavation and documentation; and curatorial and conservation of IA’s museum collections.
- 3) Urban Planning and Community Development Division (UPCDD) – responsible for preparing, updating and implementing the Intramuros Development Plan including (a) formulation of policies, guidelines and regulations covering zoning, land use, construction and renovation; (b) issuance of building and construction permits; (c) inspection and monitoring of construction projects and renovation works; and (d) planning of traffic, garbage collection, water sewerage, power and other utilities.
- 4) Tourism Promotions Division (TPD) – responsible for implementing the Tourism Marketing Plan, public relations and information program of the IA.
- 5) Business Management Division (BMD) – responsible for managing and promoting the income-generating facilities owned by the Administration, undertaking feasibility studies for commercial activities and promoting investments in commercial ventures in Intramuros.
- 6) Planning and Management Division (PMD) – responsible for the formulation of the plans and programs of the Administration, the evaluation and monitoring of the implementation of projects and activities in support of plans and programs, the maintenance of database bank to service the operating divisions, the design and implementation of Management Information System and other relevant corporate planning functions.

## **B. Financial Highlights**

During the year, the IA received total appropriations and allotments of ₱68,224,245.23 and ₱69,660,783.23 with total obligations incurred of ₱68,650,855.83, leaving an unobligated allotment of ₱1,009,927.40. The details are as follows:

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Allotment Reverted
	(In Php)			
<b>A. Current Year</b>				
1. Regular	<b>63,849,000.00</b>	<b>62,086,538.00</b>	<b>61,369,938.19</b>	<b>716,599.81</b>
a. PS	34,422,000.00	35,832,871.00	35,706,333.00	126,538.00
b. MOOE	23,094,000.00	19,920,667.00	19,844,518.16	76,148.84
c. Capital Outlay	6,333,000.00	6,333,000.00	5,819,087.03	513,912.97
2. Automatic Appropriations	<b>3,047,000.00</b>	<b>3,079,000.00</b>	<b>3,062,260.71</b>	<b>16,739.29</b>
a. RLIP	3,047,000.00	3,079,000.00	3,062,260.71	16,739.29
1. Special Purpose Fund	<b>0.00</b>	<b>3,167,000.00</b>	<b>3,167,000.00</b>	<b>0.00</b>
a. Miscellaneous	0.00	3,167,000.00	3,167,000.00	0.00

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Allotment Reverted
	(In Php)			
Personnel Benefit Fund				
<b>Sub-total</b>	<b>66,896,000.00</b>	<b>68,332,538.00</b>	<b>67,599,198.90</b>	<b>733,339.10</b>
<b>B. Prior Year</b>				
1. Continuing Appropriations	<b>1,328,245.23</b>	<b>1,328,245.23</b>	<b>1,051,656.93</b>	<b>276,588.30</b>
a. PS	7,444.15	7,444.15	0.00	7,444.15
b. MOOE	770,181.42	770,181.42	747,903.93	22,277.49
c. Capital Outlay	550,619.66	550,619.66	303,753.00	246,866.66
<b>Total</b>	<b>68,224,245.23</b>	<b>69,660,783.23</b>	<b>68,650,855.83</b>	<b>1,009,927.40</b>
<b>Overall Financial Utilization Rate</b>				<b>98.55%</b>

IA also maintains a Revolving Fund constituted from the revenues generated from operations and commercial transactions of the agency which is used for expenses incurred in commercial operations including minor repairs of buildings and other structures and facilities used directly in its commercial operations. The financial status of the Revolving Fund showed beginning balance of ₱20,021,636.71 and collections during the year of ₱106,211,691.44 or a total balance of ₱126,233,328.15 of which ₱100,521,083.98 was obligated and disbursed during the year, leaving the unutilized balance of ₱25,712,244.17 as at year-end.

The agency's financial condition and financial performance for CYs 2019 and 2018 are summarized below:

Particular	2019	2018 (Restated)	Increase/ (Decrease)
<b>Financial Condition</b>			
Assets	344,767,612.19	340,819,473.43	3,948,138.76
Liabilities	34,609,321.33	69,816,235.73	(35,206,914.40)
Accumulated Surplus/(Deficit)	310,158,290.86	271,003,237.70	39,155,053.16
<b>Financial Performance</b>			
Revenue	97,579,497.11	87,910,868.63	9,668,628.48
Current Operating Expenses	159,164,391.57	150,923,231.21	8,241,160.36
Surplus/(Deficit) from Current Operations	(61,584,894.46)	(63,012,362.58)	1,427,468.12
Net Financial Assistance/Subsidy	100,821,372.70	68,016,519.35	32,804,853.35
Surplus/(Deficit) for the period	39,236,478.24	5,004,156.77	34,232,321.47

### C. Operational Highlights

The IA's reported targets and actual accomplishments for CY 2019 are as follows:

Organizational Outcome/ Program	Performance Indicator	Target	Accomplishment	Variance
1. Property Conservation and Preservation Services	Percentage of existing sites/structures maintained or conserved and restored	95%	100%	5%
	Percentage of existing artifacts	25%	78.25%	53.25%

<b>Organizational Outcome/ Program</b>	<b>Performance Indicator</b>	<b>Target</b>	<b>Accomplish-ment</b>	<b>Variance</b>
	maintained			
	Percentage increase in visitors	4%	59.08%	55.08%
	Number of sites/structures maintained	36	38	2
	Number of artifacts maintained	1,500	4,695	3,195
2. Commercial Property Leasing Services	Revenue generated from leasing and rental of facilities	23.08M	35.87M	12.79M
	Percentage increase in revenue	3%	50.33%	47.33%
	Number of promotional activities i.e., sales	20	33	13
	Percentage of occupancy of IA commercial properties	85%	88%	3%
	Percentage increase in occupancy of IA event	8%	36.53%	28.53%
	Percentage of applications for use of event facilities acted upon within 24 hours	98%	100%	2%
3. Tourism Promotions Program	Number of events held	28	76	48
	Percentage increase in visitor arrivals	4%	79.24%	75.24%
4. Regulatory Services	Number of building, repair and other ancillary	1,384	2,071	687
	Percentage of establishments and structures	100%	113.69%	13.69%
	Percentage compliance of building owners to PD No. 1616	65%	70.04%	5.04%
	Percentage compliance of building permit and clearance	90%	99.30%	9.30%

The agency had fully accomplished the targeted activities under all the Organizational Outcomes for the year ending December 31, 2019 and even exceeded several targets. However, abrupt increases in outputs are considered gaps to be addressed by proper determination of targets based on sound historical data and variables so as to provide direction, facilitate planning, motivate personnel, and help IA to reliably evaluate, measure and control performance.

#### **D. Scope and Objectives of Audit**

The audit covered the accounts and operations of IA for the year ended 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) determine the property of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

## **E. Report on the Audit of Financial Statements**

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements of the IA as at December 31, 2019.

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

Summarized below are the significant observations and recommendations, the details of which are discussed in Part II of this Report:

1. The Reconstruction of San Ignacio Convent as Ecclesiastical Museum with contract amount of ₱85,838,838.88 suffered substantial delays from its original contract completion date on November 27, 2013 resulting in still unrecouped advance payment of ₱3,207,058.35 and estimated liquidated damages of ₱3,670,866.46. The delays in the project completion were attributed to the failure of the agency to sufficiently carry out detailed engineering investigations, surveys and designs in conformity with Section 17.6 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and Contractor's default to complete the project within the approved contract extension; hence, subject to prescribed liquidated damages under Section 8.4 of Annex E of the same Revised IRR. **(Observation No. 3)**

We recommended that Management deduct from subsequent claims/final payment the unrecouped advanced payment and imposed liquidated damages in compliance with the applicable provisions of RA No. 9184.

2. Accounts Receivables in the total amount of ₱16,209,392.70 remained dormant for more than 10 years; hence, recovery from collection is getting remote. **(Observation No. 4)**

We recommended that Management:

- a. coordinate with the Office of the Solicitor General (OSG) on all movements/actions pertaining to all cases on Accounts Receivable to be immediately acted upon by them so as to avoid delays of these cases;
  - b. strictly enforce the collections of past due accounts and intensify the collections of overdue receivables by issuing demand letters; and
  - c. request authority to write them off, supported with documents proving that collection is impossible, per COA Circular No. 2016-005 dated December 19, 2016, if all remedies had been resorted to and still to no positive results.
3. Insurable assets/properties of the agency with net book value of ₱65,104,783.06 as at December 31, 2019 were not adequately covered/insured with the General

Insurance Fund of the Government Service Insurance System (GSIS) exposing the agency to the risk of non-indemnification in case of damage/loss to their properties due to fortuitous events or other casualty. **(Observation No. 5)**

We recommended that Management make representation with the DBM to allocate funds and incorporate in the annual budget of the Agency the amount necessary to cover the increase in premium relative to the additional insurance coverage for all its insurable assets with the General Insurance Fund of the GSIS including the Works of Arts and Archeological Specimen, to ensure that the government will be indemnified for any damage or loss of these properties.

4. The Agency was unable to return the unused balance of fund transfer from National Commission for Culture and the Arts (NCCA) amounting to ₱6,089,298.62 despite the completion of the project on construction of Museo De Intramuros on February 1, 2017 contrary to the provisions of COA Circular No. 94-013 dated December 13, 1994. **(Observation No. 6)**

We recommended that Management immediately initiate the return of the unutilized balance of the fund transfer after deducting all existing valid obligations of the Administration and to submit the corresponding report of liquidation to close the account pertaining to NCCA fund transfer.

The above observations and recommendations were discussed with concerned Management officials in an exit conference conducted on February 28, 2020 and their comments were incorporated in this report, where appropriate.

#### **G. Summary of Total Suspensions, Disallowances and Charges**

The outstanding audit disallowances recognized in the books of accounts amounted to ₱1,927,887.12, of which none was settled/refunded by persons liable. Also, there are no outstanding suspensions and charges as at year-end. However, the following audit disallowances amounting to ₱4,724,279.00 was not yet recognized in the books of accounts pending decision on the appeal and motion for reconsideration filed with the Director/Commission Proper/Supreme Court.

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

Of the 18 outstanding prior years' audit recommendations as at January 1, 2020, 11 or 61 percent were implemented as of year-end, seven or 39 percent were not implemented and are reiterated in Part II of this Report. The implemented recommendations are presented in Part III of this Report.