

## EXECUTIVE SUMMARY

### A. Introduction

The National Library of the Philippines (NLP) originated from the American Circulating Library, which was donated to the Philippines through the passage of Public Act No. 96 on March 5, 1901. On May 20, 1909, all libraries belonging to the Philippine Government were integrated into the Philippine Library. Since then, it has undergone various name changes, Philippine Library and Museum (1918), The National Library (1928 and again in 1964), and Bureau of Public Libraries (1947).

Currently, it is known as the NLP pursuant to Republic Act (RA) No. 10087 enacted on May 13, 2010. It is under the supervision of the National Commission for Culture and the Arts (NCCA).

The NLP functions as the national repository of printed and recorded cultural heritage and other intellectual, literacy and information sources. Its main objectives are: a) to acquire and preserve all Filipiniana materials; b) to provide information, reference and research resources to the public; c) to develop, in cooperation with the local government units, a system of public libraries and information centers throughout the country; d) to provide national bibliographic services and information network; e) to provide special services to the visually handicapped; and f) to promote, establish and maintain national and international standards in library and information services.

It is headed by a Director who is assisted by an Assistant Director and nine Division Chiefs who are in-charge of the following:

- a. Finance and Administrative Division (FAD);
- b. Filipiniana Division;
- c. Reference Division;
- d. Research Development and Publication Division;
- e. Catalog Division;
- f. Public Libraries Division;
- g. Information Technology Division;
- h. Bibliographic Services Division; and
- i. Collection Development Division.

As of December 31, 2019, the NLP had a total workforce of 191 consisting of 119 permanent, 72 job order personnel and two consultants.

## B. Operational Highlights

Most of the targeted projects/activities were accomplished during the year as presented below.

Organizational Outcomes	Accomplishment		
	Target	Actual	Percentage
<b>National Library Program</b>			
<b>Outcome Indicators</b>			
1. Average number of daily library users	400	246	61
<b>Output Indicators</b>			
1. Number of new library materials acquired	60,000	288,297	480
2. Number of Filipiniana materials preserved	104,207,200	119,524,234	114
3. Number of research/publications produced	2	4	200
<b>Library Extension Program</b>			
<b>Outcome Indicators</b>			
1. Percentage increase in users of extension/affiliated (public) libraries	10%	33.83%	3383
<b>Output Indicators</b>			
1. Number of extension libraries supported	345	451	131
2. Number of extension libraries established	20	55	275

## C. Financial Highlights

The financial position, financial performance and sources and utilization of funds of the NLP for Calendar Year (CY) 2019 with corresponding figures for CY 2018 are as follows:

Particulars	2019	2018
<b>Financial Position</b>		
Assets	660,477,328.40	552,408,059.86
Liabilities	41,663,864.41	29,855,470.06
Net Assets/Equity	618,813,463.99	522,552,589.80
<b>Financial Performance</b>		
Revenue	3,336,474.98	4,347,818.14
Current Operating Expenses	177,631,631.08	173,624,365.35
Net Financial Assistance/Subsidy	280,326,582.62	244,757,306.74
Surplus(Deficit)	106,031,426.52	75,480,759.53

<b>Particulars</b>	<b>2019</b>	<b>2018</b>
<b>Sources and Utilization of Funds</b>		
Appropriations	204,585,000.00	341,880,000.00
Allotments	205,573,338.00	341,063,965.00
Obligations Incurred	104,920,062.71	325,320,242.51
Disbursements	114,896,294.90	136,195,406.13
Unobligated Allotments	100,653,275.29.29	15,743,722.49

The Statement of Appropriations, Allotments, Obligations, Disbursements and Balances for CY 2019 is shown in Annex A.

#### **D. Scope of Audit**

The audit was conducted to: a) ascertain the level of assurance that may be placed on the Management's assertion on the financial statements; b) determine the propriety of transactions as well as extent of compliance on the applicable laws, rules and regulations; c) recommend agency's improvement opportunities; and d) determine the extent of implementation of prior year's audit recommendations. Moreover, the audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAI).

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

The auditor rendered an unqualified opinion on the fairness of the presentation of the Financial Statements (FSs) of NLP as at December 31, 2019.

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

The following are the audit observations and corresponding recommendations which were discussed with Management officials concerned, details of which are further discussed in the report. Management views and comments were also incorporated in the report where appropriate.

1. The total inventory accounts balance of ₱5,293,849.76 was unreliable due to: a) unreconciled discrepancy of ₱4,733,212.10 between the balance per books and per physical count; b) unrecorded construction materials inventory of at least ₱26,100.00; c) non-inclusion of semi-expendable items totaling ₱2,036,616.90 in the physical count; d) late recording of prior years' purchases amounting to ₱174,816.26; and d) un-updated Supplies Ledger Cards (SLCs). Also, obsolete items valued at ₱238,740.40 were not disposed contrary to National Budget Circular (NBC) No. 45.

We recommended and Management agreed to:

- a. require the Inventory Committee to:
    - (i) reconcile the Report of Physical Count of Inventories (RPCI )with the accounting records so that necessary adjustment or appropriate action could be effected; and
    - (ii) include all the agency's unissued/unused inventories and semi-expendable items in the physical count.
  - b. direct the OIC-Accountant to:
    - (i) prepare Journal Entry Voucher (JEV) for the erroneous adjusting entry made;
    - (ii) record all regular purchases of supplies to the proper inventory account; and
    - (iii) update the SLCs and henceforth, immediately post transactions involving inventories in said records.
  - c. require the Disposal Committee to undertake the immediate disposal of obsolete inventories to relieve the Property Officer from accountabilities for assets no longer relevant to the agency's operations.
2. The validity, completeness and existence of the reported Property, Plant and Equipment (PPE) accounts with total acquisition cost of ₱1,146,268,826.83 was not ascertained because of: (a) material discrepancy of ₱778,334,064.61 between the accounting records and Report on the Physical Count of PPE (RPCPPE); (b) unrecorded PPE found at station with undetermined amount; (c) non-derecognition of transferred/disposed vehicles amounting to ₱2,574,020.00 which overstated the account balance by the same amount; (d) semi-expendable items costing ₱145,565.00 still recorded as PPE; (e) non-inclusion of other PPE in the physical count; and (f) non-maintenance of PPE Ledger Cards (PPELCs) and Property Cards (PCs), and non-issuance Property Acknowledgment Receipt (PAR) for some properties, thereby affecting the fair presentation of the financial statements.

We recommended and Management agreed to require the:

- a. Assistant Director to:
  - (i) develop a plan/strategy for the reconciliation of the PPE accounts, detailing the activities to be undertaken, personnel to be assigned for the activity, duration and corresponding deliverables;
  - (ii) oversee the proper implementation of the reconciliation plan/strategy and monitor the progress of the reconciliation process; and

- (iii) assess the capacities of all the personnel involved in the receipt, disposition and management of the PPE, and accordingly conduct capacity development and/or replace the personnel incapable of performing the required function.
  - b. Public Libraries Division (PLD) to:
    - (i) furnish the Accounting Unit with pertinent records/documents on the library materials that were distributed to affiliated public libraries in prior years so that the same could be dropped from the books; and
    - (ii) provide relevant information in the Property Transfer Report (PTR) for easy cross-referencing in the accounting records.
  - c. Property Office to:
    - (i) determine the fair value of properties found at station for recording in the books;
    - (ii) issue applicable property accountability records for the PPE found at station and for the reference books in the NLP Library; and
    - (iii) prepare and maintain PC for all PPE.
  - d. OIC-Accountant to:
    - (i) record in the books those PPE found at station;
    - (ii) drop from the books the cost of books already issued to public libraries based on the report of the PLD as well as those transferred/disposed PPE;
    - (iii) reclassify those books with unit cost below the capitalization threshold to the proper account; and
    - (iv) prepare and maintain PPELC for the library reference books with unit cost of ₱15,000.00 and above;
  - e. Inventory Committee to:
    - (i) conduct an extensive physical count of all properties of the agency PPE; and
    - (ii) immediately reconcile the result of physical count with the accounting and property records, for early detection and adjustment of discrepancy, if any.
- 3. Payment of registration fees in attending seminars conducted by private institution exceeded the allowable amount of ₱2,000.00 per day for each participant or a total of ₱261,935.00 which is not in consonance with Section 3 of National Budget Circular (NBC) No. 563 dated April, 22, 2016 and

considered excessive expenditure as contemplated under COA Circular 2012-013 dated October 29, 2012.

We recommended that Management:

- a. require the participants to (i) refund the excess seminar fees; and (ii) submit the certificate of attendance/appearance; and
  - b. henceforth, strictly observe the limitation provided in NBC No. 563 on the amount of registration/ participation fees for seminars to be conducted by private institutions.
4. The agency incurred expenses totaling ₱79,317.78 for the conduct of activities held in luxury hotel which was considered extravagant per COA Circular No. 2012-003.

We recommended and Management agreed to observe economy in the conduct of its official activities by availing the existing conference halls, rooms and other spaces in the NLP Building, or holding in venues with reasonable cost, if necessitates live-in activities.

5. Payment of honoraria to resource persons at a fixed amount of ₱4,000.00 each without determining the actual number of hours rendered was not in accordance with Budget Circular No. 2007-1.

We recommend that Management require the:

- a. Heads, Reference Division and PLD to submit the certificate or equivalent document showing the actual number of training hours rendered by the resource persons; and
  - b. Chief Accountant to (i) adopt the formula prescribed under BC No. 2007-1 in the computation of honoraria to be paid to the resource person; and (ii) ensure that payment of honoraria is duly supported with documents necessary for the proper computation thereof.
6. The agency incurred unnecessary utility expenses of at least ₱995,967.00 due to Management failure to bill/charge the private occupants of NLP for their electric and water consumption, resulting in the loss of government funds. Moreover, there was no agreement between the NLP and the private occupants for using the NLP facilities.

We recommended and Management agreed to:

- a. enter into contract with Philippine Librarians Associations, Inc. (PLAI) for the holding of its office in the NLP premises. A separate contract shall also be entered into whenever meetings/conferences of the PLAI will be held at NLP. A similar contract should also be entered with The National Library Employees Multi-Purpose Cooperative (TNLCO) with regard to the operation of the canteen stating therein the specific financial obligations of TNLCO to NLP;
  - b. require A. C. Tumang Construction to refund the amount of ₱995,967.00, or to deduct the same from the amount still due to said contractor; and
  - c. henceforth, instruct the Chief Accountant to bill/charge PLAI and TNLCO, not only for their utility consumption, but also for other costs that may be charged to the account of the latter parties, as may be agreed upon in the contract.
7. The agency's janitorial services with total payments of ₱2,444,265.04 during the year was not included in the Annual Procurement Plan (APP) and was not subjected to public bidding but was engaged, instead, through individual contract under a Job Order (JO) basis, contrary to the pertinent provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184, and thus depriving the JO personnel of the social protection and benefits mandated by law.

We recommended and Management agreed to:

- a. stop the practice of hiring individuals through JO to perform janitorial services;
  - b. direct the Bids and Awards Committee (BAC) to include the procurement of janitorial services in the APP and undertake the public bidding for the institutional contract for said services in accordance with the relevant GPPB guidelines, so that the workers could be provided with the necessary social protection and benefits; and
  - c. ensure that the janitorial contract to be entered by the NLP with the service provider shall contain a stipulation that the existing janitors/janitress of the agency may be considered in the hiring by the contractor or service provider.
8. The hiring of a Lawyer by NLP was without written authority and acquiescence from the Office of the Solicitor General (OSG) and COA's concurrence, in violation of COA Circular No. 95-011 dated December 4, 1995.

We recommended that Management hold the concerned agency officials who signed the related contract of service, approved the payment of salaries, and certified as to the necessity and lawfulness of the expenses, and completeness of supporting documents, liable for the refund of salaries of the Lawyer in view of the lack of written acquiescence from OSG and COA's concurrence.

9. Financial statements/reports and transaction documents were not submitted within the prescribed period, with delays ranging from 10 to 83 working days, thus, prevented the prompt audit of accounts and transactions as well as the timely communication of the audit results to the Management, contrary to the relevant provisions in the Government Auditing Manual (GAM), Volume I and COA Circular No. 2009 – 006.

We recommended and Management agreed to:

- a. require the Chief, Finance and Administrative Division to closely monitor compliance by the responsible office with the timely submission of financial reports/statements and transaction documents;
  - b. instruct the Cashier to: (i) check whether the Disbursement Vouchers (DVs) are signed/approved by concerned agency officials and supported with documents before preparing the checks/approving the Advice to Debit Account (ADA); and (ii) prepare the Report of Checks Issued/Report of ADA Issued (RCI/RADAI) immediately on a daily basis to facilitate the prompt submission of said reports and transaction documents to the Accounting Section and consequently to the Audit Team; and
  - c. direct the Human Resource Division to expedite the hiring of Accountant III position to improve the accounting services particularly in the rendering of timely financial statements/reports and other transaction documents.
10. The BPL Project – Phase II remained incomplete after a period of more than five years from the time the fund was transferred by NLP to DPWH Batanes in September 2015 due to abandonment by the contractor which was not immediately acted upon by the latter, thus, the objective of establishing an enhanced library facilities for the Ivatan community has yet to be fully achieved.

We recommended and Management agreed to:

- a. require the Chief, PLD to closely coordinate with DPWH-Batanes and continuously monitor the progress of the project towards its immediate completion;



- b. require DPWH-Batanes to take appropriate actions on the noted conditions such as the completion of the unfinished room and passageway, provision of additional book racks, door leading to the terrace and water tank/pump, and repair of air conditioning units. Also, make the BPL signage easily noticeable in order to draw maximum attention and create awareness on the existence of BPL; and
  - c. ensure that succeeding Memorandum of Agreement (MOA) to be entered by NLP contain pertinent information such as the date of completion;
11. Various e-library materials amounting to ₱3,110,033.16 were not installed at the BPL due to lack of internet connectivity, of which, e-journals costing ₱900,000.00 already expired, resulting in the wastage of government resources.

We recommended and Management agreed to direct the Chief, PLD to immediately facilitate the provision of the internet connectivity in the BPL so that the e-books could be installed and accessed by the intended users/beneficiaries.

#### **G. Status of Implementation of Prior Year's Audit Recommendations**

Of the 22 audit recommendations contained in the prior year's Annual Audit Report, 21 were implemented and 1 was not implemented. The details are presented in Part III of this report.