

EXECUTIVE SUMMARY

A. Introduction

The Philippine Information Agency (PIA) was created by virtue of Executive Order (EO) No. 100 issued by former President Corazon C. Aquino on December 24, 1986. It is mandated to provide the people with accurate, timely and relevant information that will help them to make better decision and identify opportunities to improve the quality of their life and enable them to participate meaningfully in democratic process.

PIA is one of the offices under the Philippine Communications Operations Office (PCOO). It is headed by a Director General (DG), with the rank of an Undersecretary. PIA has a nationwide network of 16 Regional Offices (ROs) and 78 Provincial Information Centers (PICs). The Agency has an approved plantilla of 423 personnel, 335 of which were filled up and 88 were unfilled as at December 31, 2019, as follows:

Offices/Divisions	No. of Plantilla Positions	Permanent	Unfilled Positions
Office of the Director	6	2	4
Administrative Division	41	34	7
Finance Management Division	15	12	3
Program Management Division	19	14	5
Creative and Production Services Division	32	28	4
Regional Operations Division	13	12	1
Human Resource Development Division	13	11	2
Planning and Communication Research Division	20	17	3
Management and Information System Division	16	10	6
Regional Offices	248	195	53
Total	423	335	88

B. Operational Highlights

The reported accomplishments of PIA for Calendar Year (CY) 2019 are shown on the next page.

Organizational Outcomes/Performance Indicators	Accomplishment		Percentage of Accomplishments
	Target	Actual	
Output Indicators:			
1. Percentage of IEC material produced/disseminated within the prescribed timeframe	95%	100%	105
2. Percentage of training accomplished within the prescribed timeline	95%	100%	105
3. Percentage of consultations held or stakeholders consulted within the prescribed timeframe	95%	100%	105

The PIA Central Office (PIA-CO) and its 16 ROs and 78 Provincial Information Centers nationwide continued to maximize the use of various communication platforms and engage with institutional partners and networks to further resonate development down to the grassroots.

The PIA provides technical assistance to other government agencies by way of communication plan development, content creation, preparation of creative briefs, events management, multi-sectoral consultations, communication research, capability building, and production and dissemination of multimedia materials.

A total of 24,436 situation reports (sitreps) on significant events of national interest happening in the regions were generated by the PIA regional offices. Situation reports are real-time on-ground reports about local issues and events which the Agency's field offices send on a daily basis on the Central Office via SMS and/or email.

C. Financial Highlights

The financial position, financial performance and sources and utilization of funds of the PIA for CY 2019, with corresponding figures for CY 2018, are as follows:

Particulars	Amount (₱)	
	2019	2018 (as restated)
Financial Position		
Assets	306,561,426.56	358,782,584.09
Liabilities	241,669,523.75	281,645,416.02
Net Assets/Equity	64,891,902.81	77,137,168.07
Financial Performance		
Revenue	21,502.00	148,742.36
Current Operating Expenses	333,326,844.00	344,180,022.41

Particulars	Amount (₱)	
	2019	2018 (as restated)
Net Financial Assistance/Subsidy	331,742,409.77	348,122,568.91
Miscellaneous Income	41,000.00	-
Other Non-Operating Income	-	55,000.00
Surplus/Deficit	(1,521,932.23)	4,146,288.86
Sources and Utilization of Funds		
Appropriations	351,403,947.00	366,042,974.00
Allotments	345,727,051.00	356,938,092.00
Obligations Incurred	326,102,791.39	334,373,536.39
Disbursements	319,977,590.08	334,177,327.53
Unobligated Allotments	19,624,259.61	22,564,555.61

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

D. Scope of Audit

The audit covered the accounts and operations of the PIA for CY 2019. It 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 (ISSAIs).

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 PIA as at December 31, 2019 due to the following observations:

- The Maintenance and Other Operating Expenses (MOOE) account was overstated by ₱26,476,290.63 as a result of recording prior year expenses in the current year due to the late submission of liquidation documents; (Paragraph No. 1); and
- The recorded balance of the Property, Plant and Equipment (PPE) and Intangible Assets costing ₱411,819,147.18 was overstated (net) of ₱275,100.00 due to the (a) non-recording of land costing ₱962,400.00; and (b) unrecorded disposal of vehicle costing ₱1,237,500.00. (Paragraph No. 5)

F. Summary of Significant Observations and Recommendations

The following are the other audit observations and the corresponding recommendations:

1. Additional cash advances (CAs) were granted to PIA ROs despite non-liquidation or settlement of previous CAs, resulting in its accumulation to ₱23,384,022.38 (net of negative balance in the Trust Fund of ₱32,899,958.25) as at December 31, 2019. (Paragraph No. 1)

We recommended that Management require the Accountant to:

- a. Issue demand letters to all ROs for the liquidation of their CAs, considering that the purpose of the advances had already been served; and to withhold the salaries of those who failed to liquidate their CAs until such time the liquidation is completed;
- b. Adjust the negative balances of the Trust Fund, and investigate the erroneous classification to avoid committing the same error in the future;
- c. Correct the overstatement of the expenses affected; and
- d. Monitor unliquidated CAs to avoid long outstanding accounts; henceforth, institute measures to ensure that Accountable Officers (AOs) strictly comply with the regulations on CAs.

We further recommended that Management refrain from granting CAs to AOs with unliquidated advances.

2. The PIA-CO granted a cash advance of ₱35,000.00 to a Special Disbursing Officer (SDO) to reimburse the expenditures incurred totaling ₱15,087.97, in violation of Section 14(h), Chapter 6, Volume I of the Government Accounting Manual (GAM). (Paragraph No. 2)

We recommended that Management:

- a. Rectify the irregular action through cancellation of the flawed grant of CA; hence, must be settled by the responsible SDO;
- b. Advise the SDO in-charge to request for reimbursement of the expenditures he incurred in excess of the CA for the Good News Pinas (GNP), supported with complete and valid documents; and
- c. Henceforth, strictly comply with the policies and guidelines on the grant of cash advances.

3. RO Nos. XI and XIII have unexpended cash totaling ₱2,484,601.76 and ₱133,343.83, respectively, as at December 31, 2019, however, these were not refunded or returned, contrary to Sections 5.7 and 5.8 of COA Circular 97-002, depriving the government of additional funds for its priority projects. (Paragraph No. 3)

We recommended that Management:

- a. Require the Acting Bookkeepers of RO Nos. XI and XIII to return to the PIA-CO the unexpended cash amounting to ₱2,484,601.76 and ₱133,343.83, respectively;
 - b. Require RO No. XIII, and all ROs, for the timely submission of request for funds to enable the OIC, Finance Management Division (FMD) to effect a timely transfer of funds; thus, avoid delays in the implementation and accomplishment of their programs and activities; and
 - c. Henceforth, order the OIC, FMD to monitor regularly the cash allocations and disbursements of the regional office to avoid accumulation of unutilized cash.
4. Receivables from Procurement Service–Department of Budget and Management (PS-DBM) accumulated to a huge ₱14,816,809.84 due to undelivered common-use supplies, and unutilized deposits for Government Fare Agreement (GFA), unnecessarily idling the fund in the PS-DBM, and depriving the PIA-CO of the immediate use of the supplies, contrary to Section 2 of Presidential Decree (PD) No. 1445 on the judicious use of government funds. (Paragraph No. 4)

We recommended that Management:

- a. Exert more effort in the follow up of the deliveries of common-use supplies pertaining to the transferred funds to PS-DBM, or
 - b. Demand from the Procurement Section to use the transferred fund for its future orders of common-use supplies, instead of transferring additional funds; and
 - c. Order the Accountant to utilize the Travel Fund in the procurement of airline tickets and replenishing it only upon reaching the agreed level of consumption.
5. The recorded consolidated balance of the PPE and Intangible Assets costing ₱408,731,835.18 and ₱3,087,312.00, respectively, or a total of ₱411,819,147.18 is not reliable due to the discrepancy of ₱214,258,657.68 between the books and the Report of Physical Count of Property, Plant and Equipment (RPCPPE), contrary to the policies on property management laid down in the GAM and Section 79 of PD No. 1445. (Paragraph No. 5)

We recommended that Management order the OIC, Accounting Section and the Property Officer (PO) to religiously and periodically reconcile the balances of their records.

It is further recommended that Management instruct responsible officers to continuously supervise subordinates by reviewing their work systematically; thus, minimize errors. Henceforth, the agency must strengthen/install a sound internal control to safeguard agency's assets, as well as ensure the reliability of its accounting data.

6. Unserviceable property of RO Nos. III, IV-B and VI remained undisposed contrary to Section 79 of PD No. 1445, exposing them to further deterioration and diminution of resale value, including the deprivation of the agency of the maximum utilization of space occupied by the properties. (Paragraph No. 6)

We recommended that Management:

- a. Require the PO to prepare an updated Inventory and Inspection Report for Unserviceable Property (IIRUP) duly approved by proper officials, with all the necessary supporting documents, including appraisal thereof, for appropriate action of the Disposal Committee; and
 - b. Ensure that proper disposal procedures are undertaken in accordance with existing rules and regulations.
7. The Regional Head (RH) of RO No. XI claimed transportation allowance (TA) totaling ₱25,000.00 despite being issued government vehicles in her name, in violation of National Budget Circular (NBC) No. 548 dated May 15, 2013, and COA Circular 2012-003; hence, disallowed in audit. (Paragraph No. 7)

We recommended that the RH refund the transportation allowance she received from July to November, 2019 totaling ₱25,000.00.

We further recommended that Management stop paying transportation allowance to officials who are assigned or issued government vehicles, in strict compliance with COA Circular 2012-003, and pursuant to NBC No. 548 on the rules and regulations on the grant of RATA.

8. The PIA-CO and RO No. IX failed to prepare and submit to the Audit Team the Bank Reconciliation Statements (BRS) for the months from January to December 2019, in violation of the provisions of PD No. 1445, and Section 7, Chapter 21, Volume I of the GAM; thus, reconciling charges and credits, if any, were not identified for appropriate adjustment. (Paragraph No. 8)

We recommended that PIA-CO Management:

- a. Instruct the Officer-In-Charge, Accounting Section to prepare and submit to the Audit Team those unsubmitted BRS, and henceforth, submit them within the prescribed period in strict compliance with the GAM; and
- b. Impose the suspension of payment of salaries of the responsible officers until after compliance with the requirements of the Commission, in adherence to PD No. 1445.

We further recommended that RO IX Management require the concerned agency personnel to prepare and submit regularly the BRS together with the required supporting documents, pursuant to the provisions of the GAM, and PD No. 1445

9. The CAR and RO Nos. II and III incurred delays in the submission of Purchase Orders (POs), Monthly Report of Fuel Consumption (MRFC), and Monthly Report of Official Travels (MROT including the supporting documents, contrary to Sections 3.1.1 of COA Circular 2009-001, and COA Circular No. 77-61. (Paragraph No. 9)

We recommended that the ROs:

- a. Strictly comply with the submission of POs, including the supporting documents, within the period required to submit, in compliance with COA Circular No. 2009-001, for proper evaluation; hence, defects or deficiencies, if any, would be pointed out and immediately corrected by the agency;
 - b. Direct the designated personnel to submit regularly the MRFC and MROT, in compliance with the guidelines on fuel consumption and proper use of government vehicles; and
 - c. Direct the officials and employees concerned to submit justification on their failure to submit, on time, the copies of the POs and reports to the Audit Team, without prejudice to the imposition of disciplinary action, such as suspension of salary.
10. The mobile telephone plans availed by the employees of RO No. XIII are higher than the prescribed plan; thus, the Mobile Telephone Expenses totaling ₱514,848.74 was excessive by 46.8 percent or ₱241,056.74. Moreover, additional charges were incurred on top of the availed plan, and some employees were provided with more than one postpaid account, contrary to PIA-CO Office Order No. 021, and COA Circular No. 2012-003. (Paragraph No. 10)

We recommended that RO No. XIII Management:

- a. Adhere to the policy issued by PIA-CO on the use of mobile phones, and submit examples of situational cases for PIA-CO's consideration as exemptions to the policy; and
 - b. Re-assess the type and model of mobile phones for issuance to eligible employees, taking into consideration economy and efficiency in the use of government resources, without compromising the agency mandate.
11. A number of deficiencies on the compliance of rules and regulations were noted in various ROs, which showed weaknesses in the supervision and monitoring by the PIA-CO over the responsible officers. (Paragraph No. 11)

We recommended that RO Management remind and order the concerned officers and employees to capacitate themselves on the existing COA rules and regulations; hence, avoid committing similar deficiencies in the future.

The Summary of Audit Observations and Recommendations (SAOR) was transmitted to Management on July 22, 2020. Management submitted their comments and were considered in the report, where appropriate. The details of the above observations were discussed in Part II of this report.

G. Implementation of Prior Year's Audit Recommendations

Of the 13 audit recommendations contained in CY 2018 Annual Audit Report (AAR), 9 were implemented, and 4 were not implemented. The details are presented in Part III of this report.