

**NAYONG PILIPINO FOUNDATION, INC.
ANNUAL AUDIT REPORT FOR CY 2015
EXECUTIVE SUMMARY**

Introduction

Ang Nayong Pilipino Foundation Inc. (NPMI) was created primarily to promote research development project on social sciences and humanities and related fields. It was duly registered with the Securities and Exchange Commission (SEC) on May 7, 1969, as a non-stock, non-profit corporation. On November 6, 1972 by virtue of Presidential Decree (PD) No. 37, the Nayong Pilipino Foundation (NPF) was created to promote, encourage and initiate research and development projects and activities in social sciences, humanities, social and amelioration and allied fields.

The President of the Philippines by virtue of Executive Order (EO) No. 111 dated June 26, 2002 directed the closure and cessation of the park operations of Nayong Pilipino Cultural Park except for purposes of overseeing, maintaining and preserving the assets of the park and the Nayong Pilipino Foundation (NPF).

A special project was established at the Clark Expo Site in Calendar Year (CY) 2006 with the NPF as manager and operator of the Colonial Plaza and the Chosen Island segments.

On April 2, 2007, Executive Order No. 615 was issued mandating the transfer of the Nayong Pilipino Cultural Park to the 15-hectare property of the Philippine Reclamation Authority (PRA) in Paranaque City to be swapped with NPF's 15-hectare property in Pasay City.

On September 29, 2011, the President of the Philippines issued EO No. 58 mandating the NPF to transfer to Manila International Airport Authority (MIAA) the remaining land presently occupied by the Foundation and the park. In July 2012, MIAA had taken possession of the land and on December 31, 2012, MIAA took over the administrative building and other structures of NPF.

The National Parks Development Committee (NPDC), a government agency attached to the Department of Tourism (DOT) and NPF entered into an agreement in December 2012 for NPF to develop and manage the Orchidarium in Rizal Park and for NPDC to provide the use of Orchidarium at Rizal Park for NPF's administrative offices. NPF transferred its administrative offices to the Orchidarium at Rizal Park on January 10, 2013.

As of December 31, 2015, NPF has a total personnel complement of 129 composed of four regular employees, 12 contract of services, 75 job order personnel for administrative, facilities, ground personnel, programs and talents, 34 talent performers and rondalla players, and four consultants composed of two for Human Resource, one for Marketing and one Legal Adviser.

On August 20, 2014 NPF entered into a 25 year lease contract with Resorts World Bayshore City Inc. to develop and operate an integrated hotel and casino project at the property of NPF at the Manila Bay Reclamation Area in Paranaque City.

The remaining portion of the NPF Property at the Manila Bay Reclamation area consisting of 9.5 hectares is now the subject of proposed Public Private Partnership (PPP). The National

Economic Development Authority (NEDA) Investment Coordination Committee (ICC) endorsed the proposed Build-Transfer-Operate-and-Maintain (BTO&M) PPP contractual arrangement for the project last December 18, 2015.

The Foundation is governed by a Board of Trustees composed of a Chairman and nine members. Its management is headed by an Executive Director.

Scope of Audit

The audit covered the operations of NPF for CY 2015. It involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error.

Financial Profile

The Financial Position and the Results of Operation of the NPF for the years ended December 31, 2015 and 2014, are presented below:

Comparative Financial Position

	2015	2014 (as restated)	Increase (Decrease)
Assets	P 10,220,563,562	P 10,566,540,605	P (345,977,043)
Liabilities	1,018,088,013	1,355,560,865	(337,472,852)
Net Worth	P 9,202,475,549	P 9,210,979,740	P (8,504,191)

Results of Operations

	2015	2014 (as restated)	Increase (Decrease)
Income	P 39,306,096	P 22,348,625	P 16,957,471
Expenses	47,810,287	41,273,635	6,536,652
Net (Loss)/Income	P (8,504,191)	P (18,925,010)	P (10,420,819)

Independent Auditor's Report on the Financial Statements

The Auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements of the NPF for the year 2015.

Summary of Audit Observations and Recommendations

1. Construction Supplies Inventory account amounting to P15.772 million is unreliable due to improper recording of the acquisitions and withdrawals/issuances and the absence of

physical inventory and schedule of the construction materials, contrary to Sections 32 and 33 of Philippine Public Sector Accounting Standards (PPSAS) 12.

We recommended that Management:

- a. Conduct an inventory of construction supplies inventory on hand and determine its cost;
 - b. Work back on all the issuances/withdrawals of supplies, prepare corresponding journal entries and maintain updated subsidiary ledgers for the materials; and
 - c. Establish proper planning, monitoring and recording of acquisition and issuance of inventories, to avoid over acquisition/excess materials.
2. Consultants hired by NPF performed regular functions which do not require expertise in a particular area of specialization and were allowed to perform supervisory functions contrary to Civil Service Commission (CSC) Memorandum 26-97 and Sections 2 and 3 of National Budget Circular (NBC) 433. Some consultants were also given additional allowances/benefits which were not stipulated in their contracts contrary to Section 4.2 of NBC 433.

We recommended that Management:

- a. Comply with CSC Circular 26-97 and Sections 2 and 3 of NBC 433 prohibiting consultants to perform supervisory functions and refrain from hiring consultants to perform regular functions of the office;
 - b. Stop the practice of paying the consultants allowances/benefits which are not stipulated in their contracts and comply with Section 4.2 of NBC 433;
 - c. Consider filling up the vacant HR positions with qualified personnel;
 - d. Evaluate the need to hire a legal consultant aside from the legal assistance given by OGCC; and
 - e. Submit approval for the consultancy expenses that exceeded the COB. If the need to hire consultants for specific projects is inevitable, provide budget in the Annual Procurement Plan and in the Corporate Operating Budget.
3. Beginning balances of leave credits of employees were not supported by documents and subsidiary ledger cards showing posting of monthly leave credits and absences/undertimes with running/accumulated leave balances. The unused five days mandatory leave of absence were also not deducted annually from the leave credits, thus, the balances of individual leave credits and monetization/commutation of leave availed by employees for CY 2015 in the amount of P53,500 is unreliable.

We recommended that Management:

- a. Submit documents to establish the beginning and ending leave credit balances of employees and prove correctness of balance of leave credits monetized by concerned employees as of December 31, 2015;
 - b. Prepare a monthly report of absences and undertimes supported by the time card/attendance sheet of each employee, approved by authorized official;
 - c. Maintain individual subsidiary ledger cards, post monthly the leave credits and deduct absences and undertimes to reflect the accumulated leave balance. The ledger card should be maintained and safely kept until the employee is separated from the service; and
 - d. Comply with the Section 26 of the Omnibus Rules XVI Implementing Book V of EO 292 and deduct annually the unused five days mandatory leave.
4. Payment for several Job Order (JO) personnel amounting to P11.260 million were not supported with valid contracts contrary to Section 4 (6) of PD 1445 requiring complete documentation before payment.

We recommended that Management comply strictly with Section 4(6) of PD 1445 and update the contracts of all JO personnel. Require supervisors to submit performance evaluation reports based on validated monthly accomplishment reports of the concerned personnel, prior to contract renewal.

5. NPF incurred losses in the amount of P 0.525 million on decomposed/mouldered orchids in bottles, decayed orchid pod and flowering orchids due to lack of orchid materials for maintenance, enough space for ventilation and good sunlight, thus, depriving the Foundation opportunity income when the orchids are available for sale during its flowering stage.

We recommended that Management take necessary action to take care of the orchids and avoid losses due to decomposed/mouldered orchids. Address problems identified by providing sufficient orchids materials as well as enough space for ventilation and sunlight.

Summary of Total Suspensions, Disallowances, and Charges as of Year-end

As of December 31, 2015, disallowances amounted to P39.563 million.

Status of Implementation of Prior Year's Audit Recommendations

Of the 38 audit recommendations embodied in last year's Annual Audit Report, nine were fully implemented, 16 were partially implemented and 13 were not implemented.