

## EXECUTIVE SUMMARY

### A. Introduction

The Professional Regulation Commission (PRC) is the government agency mandated by law to administer professional examinations to 43 professional groups through its implementing arm, the different Professional Regulatory Boards (PRBs). Besides the conduct of examinations, the PRC is also responsible for the implementation and enforcement of policies on the regulation and licensing of various professions and occupations under its jurisdiction, including the enhancement and maintenance of professionals and occupational standards and ethics and the enforcement of the rules and regulations relative thereto.

Initially created under Presidential Decree (PD) No. 223 but was repealed on December 5, 2000 by signing into law Republic Act (RA) No. 8981 which is the PRC Modernization Act of 2000 that created a three-man Commission. In CY 2006, Executive Order (EO) No. 565 was amended by EO No. 565-A whereby the PRC was attached to and placed under the administrative supervision and control of the Department of Labor and Employment (DOLE).

The Commission Proper is headed by Acting Chairperson Angeline T. Chua Chiaco and Commissioner Yolanda D. Reyes. The Commission Proper is assisted by Associate Commissioner Aristogerson Gesmundo. It supervises 43 PRBs with members who are all presidential appointees. The PRC has 42 accredited professional organizations with three major operating offices: Licensure Office, Regulation Office, and the Office of Financial and Administrative Services. As of December 31, 2015, it has a total personnel complement of 737 with 342 regular employees, one casual, and 385 Service Contractors (SCs)/Job Orders (JOs) personnel and nine project based personnel (JOs) from Central Office and Field Offices distributed to several divisions and field offices as follows:

Office	No. of Employees		SCs/JOs	Project Based JOs	Total
	Permanent	Casuals			
Commission Proper	40	-	38	-	78
Regulation Office	57	-	68	4	129
Licensure Office	39	-	31	2	72
Field Offices	119	-	198		317
Office of Financial and Admin Office	87	1	50	3	141
<b>Total</b>	<b>342</b>	<b>1</b>	<b>385</b>	<b>9</b>	<b>737</b>

The PRC has 10 field offices located in Lucena, Baguio, Tuguegarao, Legazpi, Iloilo, Tacloban, Cebu, Davao, Cagayan de Oro and Zamboanga, each headed by a Director. It has also established three satellite offices in Butuan, Pagadian and San Fernando, La Union.

## B. Operational Highlights

The Agency reported its consolidated major accomplishments vis-a-vis their targets for CY 2015, as follows:

Programs/Activities	Target	Accomplishments	% of Accomplishments
<b>MFO 1. Regulatory Services to ensure highly ethical and globally competitive Filipino Professionals of Professional Services</b>			
<b>1.1 Examination of Professionals (Licensure and Examination Services):</b>			
a. Number of applications with complete documentary and qualification requirements processed and issued	433,483	457,500	105.54
b. Number of licensure examinations conducted	300	323	107.67
c. Number of qualified examinees tested through valid and leakage-free licensure examination	408,596	466,055	114.06
d. Number of examination results computed, tabulated and released	426,780	478,845	112.20
<b>1.2 Regulation of Professionals (Registration Services):</b>			
a. Number of Initial Registration	168,204	217,734	129.45
b. Renewal of Professional ID	488,382	679,583	139.15
c. Number of Professional ID cards and Board Certificates processed and issued	696,866	828,642	118.91
<b>1.3 Dispute Resolution Services:</b>			
a. Investigations of complaints (hearings conducted)	902	1,667	184.81
b. Number of cases resolved	712	673	94.52
c. Ocular inspection of institutions, schools and industrial establishments	750	465	62
d. Accreditation of CPD Providers	130	130	100
e. Accreditation of CPD Programs	1,020	2,519	246.96

### C. Financial Highlights

Under RA No. 1065, the General Appropriations Act (GAA) for Fiscal Year (FY) 2015, the PRC had an approved appropriations of ₱633,199,000.00. Total allotments received amounted to ₱1,164,161,798.12 which includes allotment for automatic appropriation on Retirement and Life Insurance Premium (RLIP) of ₱10,292,000.00, Special Purpose Fund for Pension Benefits, etc. of ₱19,900,855.00 and allotment for Continuing Appropriation of ₱16,469,980.59. Likewise, the PRC received ₱1,400,000.00 from Overseas Workers Welfare Administration (OWWA) financial assistance for purposes of Overseas Filipino Workers (OFW) SPLBE examination in Alkhobar, KSA.

In addition, the PRC is authorized to collect fees for examination, registration, certification and other miscellaneous fees as approved by law which shall be deposited to the National Treasury. The total income reported as of December 31, 2015 amounted to ₱1,040,758,089.73. The Agency's programs and projects are funded under the National Government Budget as provided in the GAA.

The total allotment from the Department of Budget and Management (DBM), the basis of which are the GAA and General/Special Allotment Release Orders (GARO/SAROs) as well as the obligations incurred by PRC and unobligated balances for CY 2015, are shown below:

Allotment Class	Allotments Received	Realignment	Obligations Incurred	Unobligated Balances of Allotments
<b>A. Regular Appropriations</b>				
Personnel Services-(PS) Regular	252,580,000.00	8,675,000.00	242,972,902.18	18,282,097.82
Maintenance and Other Operating Expense (MOOE). - Regular  (realigned to PS payment of Fringe Benefits charged to Accounts Payable paid Jan, 2016)	372,715,000.00	(8,675,000.00)	291,949,139.33	72,090,860.67
Capital Outlay  (realignment is within another object of expenditures not additional allotment)	7,904,000.00		7,892,805.00	11,195.00
<b>Sub- Total</b>	<b>633,199,000.00</b>		<b>542,814,846.51</b>	<b>90,384,153.49</b>

<b>Allotment Class</b>	<b>Allotments Received</b>	<b>Realignment</b>	<b>Obligations Incurred</b>	<b>Unobligated Balances of Allotments</b>
<b>B. Automatic Appropriations</b>				
PS (RLIP)	10,292,000.00	-	10,004,519.29	287,480.71
<b>C. Other Releases</b>				
PS (Retirement, Terminal Pension Benefits Fund & Other Bonuses and Allowances).	19,900,855.00		19,858,843.21	42,011.79
<b>Total Current Year's Allotments</b>	<b>663,391,855.00</b>		<b>572,678,209.01</b>	<b>90,713,645.99</b>
<b>D. Continuing Appropriations</b>				
MOOE Requested Realignment to Capital Outlay (₱924,765.00 but approved ₱901,000.00)	16,469,980.59		11,000,142.98	5,469,800.14
Capital Outlay	484,300,000.00		484,300,000.00	-
<b>Total Continuing Appropriations</b>	<b>500,769,943.12</b>		<b>495,300,142.98</b>	<b>5,469,800.14</b>
<b>Grand Totals</b>	<b>1,164,161,798.12</b>		<b>1,067,978,351.99</b>	<b>96,183,446.13</b>

The PRC had realigned the allotment for MOOE amounting to ₱8,675,000.00 to PS for purposes of paying PRC employees of CNA allowance. Likewise, the Capital Outlay released for office equipment was realigned to buy motor vehicles on the third quarter of the year ending September 30, 2015. The continuing appropriation for the building structure amounting to ₱484,300,000.00 was transferred to the Department of Public Works and Highways (DPWH) on November 2015.

Its assets, liabilities, government equity and sources and application of funds for CYs 2015 and 2014 are as follows:

<b>Particulars</b>	<b>2015</b>	<b>2014</b>
<b>A. Financial Position</b>		
Assets	1,283,582,396.82	736,248,455.59
Liabilities	58,552,823.00	28,809,162.88
Government Equity	1,225,029,573.82	707,439,292.71
<b>B.1 Sources of Funds:</b>		
Subsidy from National Government	1,000,978,139.47	611,999,199.57
Service and Business Income	1,040,758,089.73	1,078,597,417.66
<b>Total Income</b>	<b>2,041,736,229.20</b>	<b>1,690,596,617.23</b>
<b>B.2 Application of Funds:</b>		
PS	256,533,402.14	276,916,668.18

Particulars	2015	2014
MOOE	290,065,921.62	277,712,146.53
Financial Expenses	900.00	400.00
Non-Cash Expenses	1,107,054.09	13,073,420.33
<b>Total Expenses</b>	<b>547,707,277.85</b>	<b>567,702,635.04</b>
Losses	183,720.65	-
<b>Surplus (Deficit for the Period)</b>	<b>1,493,845,230.70</b>	<b>1,122,893,982.19</b>

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

The audit covered the review of the accounts and operations of the PRC for the year ended December 31, 2015. The audit was conducted to: (a) verify the level of assurance that maybe placed on management assertions on the financial statements; (b) recommend agency's improvement opportunities; and (c) determine the status of implementations of prior year's audit recommendations.

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

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of PRC for the year ended December 31, 2015 due to exceptions stated in the Independent Auditor's Report and as discussed in details in Part II of this report.

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

Hereunder are among the significant observations and the corresponding recommendations:

1. The Service Provider contracted by the PRC failed to provide a faster renewal and issuance of professional licenses due to defective pictures submitted by SM Mart Inc. (SMI) and the lack of personnel to print the large volume of identification cards (IDs). Likewise, the Commission failed to observe compliance on the provision of the Memorandum of Agreement (MOA) entered into by and between the PRC, Bureau of the Treasury (BTr) and the SMI dated August 15, 2012 by allowing the SMI to continue with the renewal of professional licenses of applicants without any documents or resolution. ( Observation No. 1)

**We recommended that the Management: a) ensure compliance of either party in any agreement affecting the delivery of services to clients to fully benefit from the opportunity granted for the improvement of services; b)submit proof/document supporting the validity of transactions derived from continuous operation of the Service Provider until December 31, 2015 which was beyond the lapse of the MOA; and c) facilitate the monitoring of the validity/correctness of the deposits as reported by the Service Provider and if discrepancy has occurred demand from the Service Provider the amount equivalent to such discrepancy.**

2. Oath-taking for successful Professionals were administered and conducted by the Professional Regulatory Boards (PRBs) in coordination with Professional Associations without a comprehensive set of guidelines to implement the provisions of PRC Resolution No. 2012-657 dated May 9, 2012. Likewise, fees collected by the Professional Associations/PRBs were not properly accounted for. (Observation No. 2)

**We recommended that the Management: a) immediately promulgate and issue the guidelines and procedures, criteria, and standards that shall guide the PRBs and/or the PRC in the implementation of the provisions of the above cited resolution after consultation with the PRBs, PAPRBM, APOs/IPOs, other government agencies, and non-government organizations; and b) conduct an immediate consultation with the Department of Budget and Management (DBM), the Bureau of the Treasury (BTr), and the COA for the purpose of creating a Trust Fund pursuant to Resolution No. 2012-657.**

3. The accuracy of reporting of the agency's collections on service and business income derived from applications of licensure examinations and its registrations amounting to ₱1,073,758,173.06 cannot be established due to material variance of ₱29,646,704.52 noted between the records of the Cash Division as against that of the Planning and Monitoring Division (PMD). Likewise, the collections from PRC-Zamboanga Field Office amounting to ₱35,996.00 remained unrecorded in the PRC books resulting to an understatement of collections by the same amount. (Observation No.3)

**We recommended that the Management instruct the PMD to come up with the report format that will capture possible causes of variances required to be submitted by the Application/Registration Division and the PRC Field Offices to come up with an accurate balance with that of the Report of Collections submitted to the Accounting Division as bases of recording in the books of accounts. We also recommended that the Management require the PMD to reconcile their records with the Accounting and Cash Division.**

4. The accuracy and validity of deposits/remittances of Shoe Mart Inc. (SMI) collections totaling ₱144,879,449.96 from September 5, 2012 to December 31, 2015 could not be ascertained due to lack of documentations submitted, the certification of actual deposits from Land Bank of the Philippines (LBP) and the BTr as required under Sections 3.7 to 3.9 of the Memorandum of Agreement (MOA) with SMI. Likewise, regular reconciliation of the reported collections by the Accounting Division as against the remittances of the SMI was not achieved due to delay in the submission of required reports from SMI, thus rendering such amount doubtful. (Observation No. 4)

**We recommended that the Management: a) verify/ensure the veracity of the collections recorded in the books of the PRC. Assign responsible personnel, if**

necessary, to take charge of the responsibility of verifying/monitoring the remittances of SMI against the Summary Report of Collections because of the significance of the amounts of discrepancies noted; and b) request certifications from the LBP and the BTr on the total actual deposits made by SMI to PRC.

5. The total balance of Inventory accounts amounting to ₱59,660,691.60 is of doubtful validity due to: a) failure of the Accounting Division to take up the delivery of supplies and some of its issuances amounting to ₱8,284,786.94; b) the inclusion of account with dormant balances of ₱5,401,274.03 before the implementation of e-NGAS with no documents to support their existence; and c) the non-reconciliation of the records of the Accounting and Property Divisions. (Observation No. 6)

**We recommended that the Management require the: a) Property Division to submit on time documents pertaining to deliveries of supplies and materials to the Accounting Division as basis of the Accountant to record receipts of supplies and materials and the issuances thereof; b) Accountant and the Supply/Property Officer to update and reconcile regularly their records and effect necessary adjustments on the discrepancies noted to reflect the correct balances of the Inventory accounts in the Financial Statements; and c) Property/Supply Officer to exert extra effort to locate documents that will support the existence of the balance of ₱5,401,273.03 which remained dormant in the books for so many years.**

6. The existence, validity and correctness of the reported carrying amount of the Property, Plant and Equipment (PPE) accounts for CY 2015 in the total amount of ₱290,225,018.86 is unreliable due to accounting errors resulting in a net overstatement of ₱29,572,438.55. Likewise, computations of depreciation expenses for buildings and other machineries and equipment were not provided due to the absence of the date of acquisition of equipment and the non-availability of records for the old building occupied by the PRC. (Observation No. 7)

**We recommended that the Management:**

- a) **require the Accountant to correct the erroneous accounts for PPE in accordance with PPSAS 17;**
- b) **direct the Accountant and Property Officer to –**
  - **reconcile/resolve the differences between their records;**
  - **exert effort in locating or producing the documents to support the legitimacy of the undocumented PPE accounts;**

- c) **require the Property Officer to –**
- **prepare the Inventory and Inspection Report of Property (IIRUP) classified by PPE account for disposal of the remaining unserviceable properties to save on rental expenses of storage;**
  - **secure copies of documents for the ownership of the Land and Buildings occupied by PRC-Main as basis recording and for the computation of depreciation expenses; and**
  - **verify if the other machineries and equipment forwarded balances were already included in the disposed properties, if not, secure data as to the date of each acquisition as basis for the computation of depreciation expense and the adjustment in the books for the disposed properties included in the unreconciled forwarded balance of PPEs.**
7. The carrying amount of the Construction in Progress (CIP) account amounting to ₱76,316,849.74 is unreliable due to the adjustment made in transferring the Computer Software developed for the modernization program of the PRC in the amount of ₱66,594,236.11 to Intangible Assets account, contrary to Section 4, Chapter 12, of the Government Accounting Manual. Likewise, the fund transferred to DPWH Tuguegarao amounting to ₱1,862,950.79 was recognized under account Construction in Progress account thereby overstating the said account. (Observation No. 8)

**We recommended that the Accountant correct/adjust the accounts affecting the CIP, Development in Progress and Due from National Government Agencies to reflect the accurate balance of the accounts in the financial statements.**

The foregoing deficiencies observed in the course of our audit were earlier communicated and discussed in the exit conference conducted on April 25, 2016 with concerned officials and employees of the PRC. Their comments were incorporated in this report, where appropriate. We are pleased to note their positive responses to the observations and their commitments to immediately implement the audit recommendations.

**G. Status of Implementation of Prior Years’ Audit Recommendations**

The status of implementation of prior years’ audit recommendations embodied in the previous Annual Audit Reports is shown below, which details are presented in Part III of the report:

Status of Implementation	No. of Recommendations				Percentage to Total
	2014	2013	2012	Totals	
Fully implemented	2	4	1	7	29.17
Partially Implemented	7	4	-	11	45.83
Not Implemented	4	2	-	6	25.00
<b>Total</b>	<b>13</b>	<b>10</b>	<b>1</b>	<b>24</b>	100.00