AUDIT OBSERVATIONS AND RECOMMENDATIONS

**Designated Cashier as Treasurer of the agency’s cooperative**

1. **The designated Cashier of SET is also the Treasurer of the Employees Cooperative of the agency in violation of the provision under Section 9, Chapter II of the Revised Cash Examination Manual (RCEM) and not in accordance with sound internal control over cash.**

* 1. In the conduct of the examination of the cash and accounts of the designated cashier, the audit team noted that the vault also contains cash inside an envelope belonging to SET-Employees Cooperative.
  2. Sound internal controls dictate that effective cash management provides for adequate safeguards against fraud and losses of government funds. Cash is the most liquid asset of an agency, hence, it is the most susceptible to theft and misappropriation. To ensure that cash is adequately protected, controls over cash such as segregation of duties, accountability, reconciliations and monitoring should be in place. The head of the agency shall be directly responsible for installing, implementing and monitoring safeguards and procedures particularly those in connection with the control over agency’s assets and resources.
  3. Section 9, Chapter II of the RCEM states: *“Government cashiers are prohibited from holding positions as cashiers or treasurers of savings and loan associations or any other association or organization.”*

* 1. Inquiry with the Cashier who was designated as Collecting Officer/Special Disbursing Officer of the agency, disclosed that she is also performing the functions of the treasurer of SET-Employees Cooperative. As such, she collects loan payments and additional subscriptions from its members.
  2. Aside from clear prohibition for the cashier from holding position as treasurer of any other association, the accountable officer handling cash receipts should not be made to perform the same for other organization to prevent inadvertent misapplication of funds.

**1.6 We recommended and Management agreed to require the Cashier to immediately relinquish her position as treasurer of the SET-Employees Cooperative and refrain from accepting position involving handling of cash accountability in compliance with the existing rules and regulations.**

**Maintenance of bank account in non-authorized government depository bank**

1. **The SET continue to maintain a current account with the Philippine National Bank (PNB), a private bank, with a book balance of P1.67 million as of December 31, 2016, despite the presence of government banks in the area, in violation of the Department of Finance (DOF) Department Circular No. 001-2015 dated June 1, 2015.** 
   1. Review and verification of the *Cash in Bank – LCCA* account disclosed that the agency maintains deposits with the PNB which has ceased to be an authorized government depository bank (AGDB) of the national government (NG).
   2. The subsidiary ledgers of the account showed a total balance of P1,690,733.64 as of December 31, 2016. The cash balance of the account was deposited in Land Bank of the Philippines (LBP), an AGDB, and PNB, a private bank in the amounts of P20,000.00 and P1,670,733.64, respectively.
   3. The current account maintained by SET at PNB COA Branch is a trust receipt that came from deposits made by the Protestants and Protestees who are parties to the electoral cases, which will be used for expenses incidental to adjudication of their cases. The said account was opened by the agency in July 1992, when PNB was still the authorized depository bank of the NG.
   4. Department Order No. 27-05 dated December 09, 2005 issued by DOF granted PNB the authority to accept government deposits until May 03, 2007 only. After the said date, PNB should cease to be an AGDB of the NG.
   5. Likewise, DOF issued Department Circular No. 001-2015 dated June 01, 2015 prescribing the revised guidelines on AGDB that covers all National Government Agencies (NGAs), Government-Owned or Controlled Corporations (GOCCs), and Local Government Units (LGUs). For agencies specifically allowed by law, rules, and regulations to retain income and/or for operations and/or working balances, the deposit of government funds by NGAs, GOCCs and LGUs is limited only to Government Financial Institutions (GFIs) with a universal bank license and a CAMELS rating of at least “3”.
   6. Furthermore, Section 5.4.2 of the same Department Circular provides that the NGA/GOCC/LGU may be allowed to maintain bank accounts with banks other than GFIs when there are no accessible GFIs within the 20 kilometer radius in the area where the agency is located.
   7. Considering that the SET is maintaining its General Fund account with the LBP COA Branch, which is located within its vicinity, all other accounts of SET should be transferred to the same AGDB.

**2.8 We recommended and Management agreed to immediately close the account being maintained with PNB COA Branch and transfer the balance to LBP COA Branch, in compliance with the provisions of DOF Department Circular No. 001-2015 dated June 1, 2015.**

**Overstated *Insurance Expenses* – P18,305.28**

1. **The *Insurance Expenses* account for the year ended December 31, 2016 is overstated by P7,803.09 representing the unexpired portion of the insurance coverage for motor vehicle, property and equipment initially recorded as outright expenses.** 
   1. The outright recognition of the unexpired portion of the insurance coverage for motor vehicle, property and equipment as expense overstated the *Insurance Expenses* account by P7,803.09 and understated the *Prepaid Insurance* account by the same amount.
   2. Paragraph 29 (b) of the PPSAS 1 provides that:

“A fair presentation also requires an entity:

(b) To present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.”

* 1. *Prepaid Insurance* account shall be used in recording the advance payment for insurance premiums of government properties and the same shall be credited for the expired portion at the end of each month.
  2. However, upon verification of the general ledger of the *Insurance Expenses* account and the related journal entry vouchers, we noted that the payment made for advance insurance was recognized as an outright expense, as such, the amount corresponding to the unexpired portion was not properly recognized as prepayments, details are shown below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **Period Covered** | **Charged to Insurance Expenses** | **Expired Portion** | **Prepaid / Unexpired Portion** |
| Insurance Premium-SET Property and Equipment | 3/19/16-3/19/17 | P 3,169.45 | P 2,487.85 | P 681.60 |
| Insurance Premium-Toyota Grandia SJN-623 | 4/01/16-4/01/17 | 5,710.04 | 4,282.53 | 1,427.51 |
| Insurance Premium-Toyota Innova SHY-154 | 5/01/16-5/01/17 | 3,715.78 | 2,477.19 | 1,238.59 |
| Insurance Premium-Mitsubishi L300 SGS-327 | 8/01/16-8/01/17 | 3,011.11 | 1,254.63 | 1,756.48 |
| Insurance Premium-Toyota Hi-Ace SEW-411 | 2/01/17-2/01/18 | 2,698.90 | - | 2,698.90 |
| **Total** |  | **P18,305.28** | **P10,502.20** | **P7,803.08** |

* 1. The said accounting treatment does not conform to the above-cited provision of PPSAS 1 thereby affects the fair presentation of the accounts in the financial statements of the agency.

**3.6 We recommended and Management agreed to effect the necessary adjustments in the books of accounts to reflect the actual insurance expenses incurred and recognize the balance under *Prepaid Insurance* account.**

**Gender and Development (GAD)**

1. **The SET’s actual expenditures for GAD for the year totaled to P2,556,781.53 which exceeded the budgeted amount of P2,275,000.00 but still inadequate of the five per cent required funding provided under Section 35 of the General Appropriations Act (GAA) of FY 2016, due to the agency’s inadequate identification of issues and concerns pertaining to GAD that could be integrated in their regular activities.**

* 1. The SET’s GAD Plan and Budget (GPB) falls short from the required allocated budget of five percent due to the agency’s inadequate identification of issues and concerns pertaining to GAD that could be integrated in their regular activities. The details of its CY 2016 GPB are as follows:

|  |  |
| --- | --- |
| **GAD Activity** | **Budgeted Amount** |
| **Client-focused Activities:** |  |
| 1. Maintain and update GAD sub-section in the SET website | P 50,000.00 |
| 2. Create a senatorial protest sex disaggregated database on the GAD sub-section in the SET website | 10,000.00 |
| **Organization-focused Activities:** |  |
| 3. Submission to PCW of FY 2015 Accomplishment Report and FY 2017 GAD Plan and Budget | 5,000.00 |
| 4. Submission to COA of the PCW endorsed FY 2015 Accomplishment Report and FY 2017 GAD Plan and Budget | - |
| 5. Conduct of pre-planning conference to assess SET performance in the implementation of its GAD Plan and Budget for FY 2016 | 10,000.00 |
| 6. Conduct GAD Planning and Budgeting Workshop for FY 2018 | 300,000.00 |
| 7. Gender Sensitivity Trainings (GST) Deepening Sessions: Maintain Gender Focus Discussion Group with trained facilitators | 350,000.00 |
| 8. Workshop on issue-based gender training for the GAD Focal Point System | 450,000.00 |
| 9. Workshop on issue-based gender training for SET personnel | 450,000.00 |
| 10. Purchase of books and materials for the GAD Corner | 200,000.00 |
| 11. Printing of t-shirts to support PCW Women's Month Theme 2 days Field Exposure on Gender-related Topic | 350,000.00 |
| 12. Drafting of briefing/debriefing guidelines | 100,000.00 |
| **Total** | **P2,275,000.00** |

* 1. Section 35 of the GAA of FY 2016 provides that *“All agencies of the government shall formulate a GAD Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions under RA No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Millennium Development Goals (2000-2015), the Philippine Plan for Gender-Responsive Development (1995-2025), and the Philippine Development Plan (2011-2016).”*
  2. The same legal provision requires that the GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion and fulfillment of women’s human rights, and to practice gender-responsive governance are considered sufficient compliance with said requirement.
  3. Accordingly, the GAD Focal Point System (GFPS) was not able to fully identify the activities to address the requirement. It is worth mentioning however, that the agency started to conduct series of workshops on June 28-29, 2016 and October 19-20, 2016 that helped them further identify key gender issues and generate additional GAD-related activities compliant to their operational mandate.
  4. Review of the Accomplishment Report on GAD showed that expenses for the year totaled to P2,556,781.13 for the 12 GAD activities conducted. The GAD activities have 31 performance indicators, of which 25 targets were attained, five were partially accomplished and one was not accomplished. The Accomplishment Report also disclosed that there were series of GAD activities and trainings that were carried out but did not reach the target participants due to heavy operational workload and lack of availability of the SET employees and GFPS members, hence, the activities did not fully attain its objectives and the benefits to the intended recipients were not maximized.
  5. Further, no data were provided for the participants’ pre and post assessment with respect to the GAD mainstreaming workshop since no feedback forms were given to them. The pre and post assessment is necessary to evaluate the performance of seminars/training courses conducted and to determine whether such activities contribute to the continuous manpower development geared for the improvement of the GAD Program**.**

**4.7 We recommended and Management agreed to exert additional efforts in further identifying gender issues and concerns in order to incorporate the same in their regular agency activities and thereby contribute to the enhancement in the performance of their mandate. We further recommended that the GFPS continue to implement the GAD activities and programs and enhance the participation of the employees to achieve the targeted goals of the agency.**

**Senior Citizens and Persons with Disability**

1. **The agency provided facilities/structural features that reasonably aided the mobility, safety and welfare of the persons with disability and senior citizens as required under Section 36 of the General Provisions of the GAA of FY 2016.** 
   1. Section 36 of GAA of FY 2016 provides that *“All agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities.”*
   2. For CY 2016, the agency allocated funds for activities/programs and other services intended for senior citizens and persons with disability (PWD) as presented below:

|  |  |
| --- | --- |
| **Programs/Activities and Services Provided** | **Amount** |
| **Renovation of Two (2) Toilet Cubicles**  The agency renovated two toilet cubicles, one at the ground floor male comfort room and another at the ground floor female comfort room. | P 39,820.28 |
| **Sidewalk Construction**  The agency constructed a sidewalk at the rear of the Electoral Tribunals Building with access ramp from the road and connecting ramp to the PWD ramp at the building’s entrance. | 69,814.71 |
| **Total** | **P109,634.99** |

**5.3 We noted Management’s effort in complying with the requirement of the law and recommended continuous integration in their regular activities the plans, programs and projects to address the concerns of senior citizens and persons with disability, insofar as it relates to the agency’s mandated functions as required by law to enhance their mobility, safety and welfare.**

1. **Compliance with Tax Laws and Regulations**

6.1. Taxes withheld from 2016 disbursements were remitted to the Bureau of Internal Revenue on or before due dates. The breakdown of the taxes remitted totaling P25,168,935.30 are as follows:

| **Month Deducted** | **Date Remitted** | **Taxes Withheld on** | | | **Total** |
| --- | --- | --- | --- | --- | --- |
| **Compensation** | **Purchase of Goods and Services** | |
|  | **Expanded tax** | **Final tax** |
| January | 2/10/2016 | P 631,616.52 | P 55,745.28 | P 52,689.44 | P 740,051.24 |
| February | 3/07/2016 | 861,226.16 | 38,902.17 | 11,357.76 | 911,486.09 |
| March | 4/07/2016 | 1,969,634.05 | 90,259.26 | 118,654.38 | 2,178,547.69 |
| April | 5/10/2016 | 2,830,760.65 | 94,537.21 | 105,620.84 | 3,030,918.70 |
| May | 6/06/2016 | 3,447,743.35 | 51,120.54 | 18,351.87 | 3,517,215.76 |
| June | 7/05/2016 | 2,517,936.33 | 61,911.16 | 51,536.61 | 2,631,384.10 |
| July | 8/03/2016 | 722,497.46 | 45,736.45 | 26,840.83 | 795,074.74 |
| August | 9/07/2016 | 710,388.43 | 32,323.41 | 22,246.26 | 764,958.10 |
| September | 10/06/2016 | 1,830,360.87 | 68,327.56 | 22,837.81 | 1,921,526.24 |
| October | 11/09/2016 | 1,917,426.62 | 54,784.19 | 43,507.44 | 2,015,718.25 |
| November | 12/08/2016 | 2,626,320.37 | 174,033.02 | 228,499.86 | 3,028,853.25 |
| December | 1/10/2017 | 3,447,304.78 | 84,624.55 | 101,271.81 | 3,633,201.14 |
| **Total** |  | **P23,513,215.59** | **P852,304.80** | **P803,414.91** | **P25,168,935.30** |

1. **Compliance with Government Service Insurance System (GSIS) Premium Deductions and Remittances (RA 8291)**
   1. GSIS Social Insurance and Employees Compensation Fund premiums were deducted from the salaries of employees and remitted on time to the GSIS.

| **Month Covered** | **Date Remitted** | **Amount** |
| --- | --- | --- |
| January | 2/03/2016 | P 1,082,631.14 |
| February | 3/07/2016 | 1,079,486.78 |
| March | 4/05/2016 | 1,072,330.32 |
| April | 5/04/2016 | 1,113,767.87 |
| May | 6/02/2016 | 1,563,041.45 |
| June | 7/08/2016 | 1,070,553.25 |
| July | 8/02/2016 | 1,010,862.28 |
| August | 9/05/2016 | 1,011,111.05 |
| September | 9/28/2016 | 969,009.21 |
| October | 11/08/2016 | 1,144,960.49 |
| November | 12/07/2016 | 1,145,656.35 |
| December | 1/05/2017 | 1,123,582.86 |
| **Total** |  | **P13,386,993.05** |

1. **Compliance with Property Insurance Law**
   1. The SET has insured its properties with the Property Insurance Fund of the GSIS as required under Republic Act No. 656, details of which are as follows:

| **Summary of Fixed Assets Insured** | |
| --- | --- |
| **Account** | **Book Value** |
| Office Equipment | P1,512,323.62 |
| Furniture and Fixtures | 26,896.00 |
| Information and Communication Technology Equipment | 1,019,336.46 |
| Other PPE | 20,745.80 |
| **Total** | **P2,579,301.88** |

1. **Compliance with Supreme Court’s Decision on Priority Development Assistance Fund (PDAF) and Disbursement Acceleration Program (DAP)**
   1. The SET has not received PDAF and DAP funds from the Department of Budget and Management or from any agency.
2. **Status of Audit Suspensions, Disallowances and Charges**

10.1 Existing disallowances balance as of CY 2013 is P215,248.44. A motion for reconsideration was filed before the Commission Proper (CP) under COA CP Case No. 2015-012. However, pending result of the motion, SET partially settled the amount of P143,498.96 under Official Receipt (OR) No. 2183599 dated August 5, 2015 and OR No. 2183628 dated May 11, 2016, thus the remaining amount of disallowances as of year-end is P71,749.48.