



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

NATIONAL PARKS DEVELOPMENT COMMITTEE

For the Year Ended December 31, 2011

Executive Summary

A. *Introduction*

The National Parks Development Committee (NPDC) was created by virtue of Executive Order No. 30 dated January 14, 1963 for the development of the Quezon Memorial Park, Fort Santiago, Luneta Park and other national parks. In view of the tripartite agreement between the Quezon City Government, the National Historical Institute and the NPDC, the management of the Quezon Memorial Park is now with the Quezon City Government while the maintenance of Fort Santiago is now with the Intramuros Administration.

With the issuance of the Executive Order No. 120 on January 20, 1987, the Committee was attached to the Department of Tourism (DOT). It is responsible for the beautification, preservation, and maintenance of Rizal Park, Paco Park, Pook ni Mariang Makiling, and other satellite projects.

Specifically, the NPDC is directed to carry out the following tasks:

- Upgrade and maintain assigned parks including facilities, park grounds and landscape themes, building and other structures.
- Develop and implement cultural and educational support programs and services particularly those in support of national and cultural heritage;
- Improve financial viability in support of NPDC's mission;
- Ensure safety, orderliness and cleanliness in the assigned parks;
- Undertake development of new parks; and
- Establish inter-agency linkages in support of the agency programs.

NPDC is headed by Ms. Juliet H. Villegas, the Executive Director. The agency's total personnel complement is 282 distributed as follows:

Office of the Executive Director	6
Administrative/Finance	65

Planning	7
Arts and Culture	17
Park Operations	<u>187</u>
Total	<u>282</u>

B. Financial Highlights

The agency's financial condition, results of operation and sources and application of funds for the year, with comparative figures for 2010, are as follows:

Particulars	CY 2011	CY 2010	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Financial Condition				
Assets	₱ 334,426,335.59	₱ 206,642,049.44	127,784,286.15	61.84
Liabilities	165,011,567.20	23,219,729.47	141,791,837.73	610.65
Government Equity	169,414,768.39	183,422,319.97	(14,007,551.58)	(7.64)
Results of Operation				
Subsidy Income	213,975,827.26	146,395,874.99	67,579,952.27	46.16

Expenses	232,800,804.04	139,963,275.29	92,837,528.75	66.33
Excess of Income	(18,824,976.78)	6,432,599.70	(25,257,576.48)	(392.65)
Sources and Applications of Funds				
Allotment	214,640,037.00	142,269,442.59	72,370,594.41	50.87
Obligations	213,473,402.23	142,165,215.37	71,308,186.86	50.16
Balance	₱ 1,166,634.77	₱ 104,227.22	₱ 1,062,407.55	1,019.32

C. Operational Highlights

The NPDC reported an income of ₱56.59 million derived from entrance fees, rentals of leased spaces, and use of facilities and comfort rooms showing an increase of 20% from its 2010 income of ₱46.90 million. The amount of ₱56.31 million was recorded in the national government books while the amount of ₱64,761.41 pertaining to interest income was recorded in the regular agency books. All revenues collected were remitted to the Bureau of the Treasury.

The 2011 reported accomplishments of NPDC were highlighted by the completion of the following:

	Cost
1. Rehabilitation of the Light & Sound Outdoor Diorama on the martyrdom of Dr. Jose P. Rizal	₱ 34,954,300.00
2. Restoration of Paco Park	39,771,444.62
3. Rehabilitation/Improvement of Relief Map (Phase I)	7,580,311.53
4. Rehabilitation/Improvement of Relief Map (Phase II) & Rizal Park Gardens	<u>7,538,538.77</u>
	₱ 89,844,594.92

The Audit Team had validated and inspected these accomplishments.

D. Scope of Audit

The audit covered the operations and financial transactions of the NPDC for the year ended December 31, 2011. The objectives of the audit were to ascertain the fairness and reliability of the agency's reported financial position and results of its operation; determine the extent of compliance with existing laws, rules and regulations; recommend agency improvement opportunities; and determine the extent of implementation of prior years' audit recommendations. A Value for Money Audit was conducted on the lease contracts entered into by NPDC with various concessionaires.

E. Auditor's Report

A qualified opinion was rendered on the fairness of the presentation of the financial statements due to the (a) unreconciled difference of ₱ 1.805 million and ₱24.57 million between the book balances of the Inventory and the Property, Plant and Equipment (PPE) Accounts, respectively, and balances of the physical inventory reports; and (b) unserviceable property of ₱5.12 million not reclassified to Other Asset Account (**Observation No.6**).

For the above-mentioned accounting deficiency, we recommended that Management:

- Require the Chief Accountant to make a periodic reconciliation of the balances of the PPE and the Inventory accounts with the property records; Furnish the Property Officer with records of any addition/acquisition or reclassification of the assets and obtain copies of records/reports of disposal/issuances to clear discrepancies pursuant to Section 491 of the GAAM, volume 1.
- Require the Property Officer to update Property Cards for property, plant and equipment and Stock Cards for inventories and reconcile with the Ledger Cards of the Accounting unit, in accordance with Section 43, paragraph 3 and 4 of the Manual on the New Government Accounting System (NGAS), Vol. I.
- Require the Property Officer to renew AREs every three years or every time there is a change of accountability in accordance with Section 56 of the manual of the NGAS.

- Reclassify unserviceable assets to Other Assets account with depreciation no longer provided in consonance with Section 4 (p) Chapter 2 of the NGAS manual.

F. Other Significant Observations and Recommendations

1. Of the total ₱21,397,930.73 accounts receivables, ₱9,255,144.05 had been outstanding for six months to more than two years, and ₱12,720,224.36 or 59.4% pertain to the unpaid rentals of 17 concessionaires whose businesses were closed between 1993 to 2011. The accumulation of receivables was due to inadequate and ineffective collection measures.

We recommended that the Executive Director direct the Chief, Administrative and Finance Division to: 1) submit a report to the office of the Executive Director on lessees whose arrearages exceeded the amount of deposits and advances so that appropriate action can be taken immediately; 2) submit to the representatives of the OSG records/documents of all concessionaires who are delinquent in payment of monthly rentals for more than three months for the filing of appropriate legal action to protect the interest of the government; 3) closely coordinate with the OSG representatives to ensure that cases are filed against delinquent concessionaires on opportune time to enforce collection of receivables and apprise the Office of the Executive Director on the action taken and/or status of any case filed.

2. While the agreed rental payment of CHI to NPDC of ₱166.67 per square meter is only 8% below the prevailing rental rate of ₱182.00 per square meter at the time of the contract, the rental rate beginning 2002 to 2010 is 48% to 39% below the prevailing rental rate in the vicinity. This was due to the use of a fixed incremental rate of 10% every four years instead of adjusting the rate to the prevailing rate within the vicinity. Moreover, NPDC was not able to monitor the implementation of the Contract, thus CHI was able to continuously use the leased area despite non-compliance with the terms and conditions agreed upon which is grossly disadvantageous to the government.

We recommended that the Executive Director 1) revise the lease agreement to incorporate the increase of the rental rates stated in the original contract to conform with the prevailing rates within the vicinity of ₱352.00 per sq. m. and imposition of interest as penalty for late payment in the monthly rental; 2) Work for the termination of the supplemental lease agreement between NPDC and CHI for subleasing 100 sq. meters of the leased space to an entity not engaged in business for food, bakery and food catering services, and giving the sub lessee the authority to assign or sublet the leased space, which is not included in its authority to sublease.

3. NPDC failed to a) exercise measures for non-compliance of Luneta Seafarers' Welfare Foundation (LUSWELF) as stipulated in the MOA, b) stipulate in the MOA actions to be taken against Arts Association of the Philippines (AAP) of the agreed terms and conditions to the prejudice of the Committee's Mandate.

We recommended that NPDC: 1) enforce the actions against LUSWELF for non-compliance as provided in the contract such as termination of the agreement; 2) prescribe accounting and bookkeeping methods related to sales proceeds arising from activities of AAP using the Kanlungan ng Sining as venue and conduct regular monitoring of AAP's compliance thereof; 3) work for the revision of the contract with AAP to include provisions on the courses of actions NPDC could take against AAP in case of non-compliance with the terms and conditions thereof.

4. Prior year's recommendations involving the assignment of rights by the NPDC to the Philippine Tourism Authority (PTA), now renamed Tourism Infrastructure and Enterprise Zone Authority (TIEZA), were not implemented resulting in a) non-correction of the legal infraction of the said Assignment of Rights, b) non-collection of the unpaid balance of ₱5.3 million as consideration to the assigned area; and c) COPL's usage and management of the two comfort rooms adjacent to the Quirino Grandstand which were not included in the area assigned by NPDC to TIEZA.

We are reiterated previous year's audit recommendations that: a) NPDC and TIEZA to agree on remedial corrective legal measure on the questionable assignment of rights by NPDC to TIEZA of a portion of Rizal Park and to continue honoring the commitments to COPL; b) NPDC to take appropriate action against TIEZA for entering into an amended agreement for an area of 51,278 sq. m. which is 8,727 sq. m. more than the 42,551 sq. m. that NPDC had assigned to them; c) NPDC to require TIEZA for the rental of the additional leased space, considering that improvements had already been constructed by COPL in the whole 51,278 sq.m. d) NPDC to follow-up for the immediate payment by TIEZA of the consideration of the assignment of right that was delayed for one month to three years already totaling ₱5,290,389.53.

We also recommended that NPDC recover possession and management of the two comfort rooms adjacent to the Quirino Grandstand or require TIEZA to remit income accruing from entrance fees for the use of the facility for the period November 2008 up to December 31, 2011 or the total amount of ₱1,748,000.00.

5. NPDC entered into a Memorandum of Agreement (MOA) for the Public Comfort Room Management with Consolidated Building Management (CBM) without the benefit of public bidding in violation of RA No. 9184 depriving the government of securing the best price for its facilities. In addition, the reasonableness of the

monthly rental of ₱10,000.00 per comfort room could not be relied as there was no assessment conducted.

It is recommended that the Executive Director should: a) create a committee that would conduct a thorough study and evaluation to determine the appropriate monthly lease rental for the management of the various comfort rooms at the Rizal Park; b) work for the revision of the management contract by considering the results of the study conducted by the committee to be created.

G. *Implementation of Prior Years' Audit Recommendations*

We validated the implementation of the 21 prior years' audit recommendations and we found that 14 were partially implemented, and seven were not implemented. There were six audit observations and recommendations that were reiterated in this report. The details of the results of the validation are presented in Part III of the Report.

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Part I

AUDITED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

The Executive Director

National Parks Development Committee

Department of Tourism

Manila

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Auditing Code of the Philippines (PD 1445), we have audited the accompanying balance sheet of the National Parks Development Committee (NPDC) as of December 31, 2011 and the related statements of Income and Expenses and Cash Flows for the year then ended. These statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted state auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Part II of this report, there was an (a) unreconciled difference of ₱1.805 million and ₱24.57 million between the book balances of the Inventory and the Property, Plant and Equipment (PPE) Accounts, respectively, and balances of the physical inventory reports; and (b) unserviceable property of ₱5.12 million not reclassified to Other Asset Account (**Observation No.6**).

In our opinion, except for the effects on the financial statements of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the NPDC as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with applicable laws, rules and regulations and in conformity with generally accepted state accounting principles.

COMMISSION ON AUDIT

By:

NORMITA N. NARVAEZ

Supervising Auditor

Department of Tourism

16 April 2012

NATIONAL PARKS DEVELOPMENT COMMITTEE
Detailed Balance Sheet
December 31, 2011
(With Comparative Figures for CY 2010)

ASSETS

Current Assets	Note	2011	2010
Cash			
	5		
Petty Cash Fund	P	674.95	P 215.80
Cash-Collecting Officers		48,239.12	26,574.50
Payroll Fund		-	38,800.00
Cash in Bank-Local Currency, Combo Account		153,671,733.36	12,508,926.99
Total Cash		<u>153,720,647.43</u>	<u>12,574,517.29</u>
Receivables			
	6		
Advances to Contractors		-	403,297.50
Advances to Officers and Employees		295,818.39	381,988.35
Due from NGAs		955.00	955.00
Due from GOCCs		866,354.74	866,354.74
Other Receivables		1,520,043.50	1,520,043.50
Receivable - Disallowances/Charges		4,563,127.62	4,563,127.62
Total Receivables		<u>7,246,299.25</u>	<u>7,735,766.71</u>
Inventories			
	7		
Accountable Forms with Face Value Inventory		176,350.00	221,350.00
Medical, Dental and Laboratory Supplies Inventory		-	56,563.87
Office Supplies Inventory		93,758.17	136,425.95
Other Inventory Items		2,474,495.93	3,006,558.19
Total Inventories		<u>2,744,604.10</u>	<u>3,420,898.01</u>
Investments			
	8		
Investments in Stocks		348,436.04	348,436.04
Investments in Bonds		2,756.25	2,756.25
Total Investments		<u>351,192.29</u>	<u>351,192.29</u>
Property, Plant & Equipment			
	9		
Land Improvements		224,316,146.03	224,316,146.03
Office Buildings		12,563,159.54	12,563,159.54

Other Structures	67,824,641.23	67,824,641.23
Communication Equipment	102,038.00	102,038.00
Motor Vehicles	6,684,685.00	6,086,355.00
Arts, Archeological Specimen and Other Exhibits	1,341,000.00	1,341,000.00
Office Equipment	6,783,865.54	6,247,804.74
Other Equipment	10,423,373.38	8,265,988.38
Furniture and Fixtures	18,567,657.68	18,524,311.25
IT Equipment and Software	514,166.92	483,616.92
Books	81,277.50	81,277.50
Other Property, Plant & Equipment	142,800.00	142,800.00
Total Property, Plant and Equipment	<u>349,344,810.82</u>	<u>345,979,138.59</u>
Less: Accumulated depreciation	<u>179,145,218.30</u>	<u>163,475,463.45</u>
Property, Plant and Equipment, Net	<u>170,199,592.52</u>	<u>182,503,675.14</u>
Other Assets	<u>164,000.00</u>	<u>56,000.00</u>
Total Assets	<u><u>₱ 334,426,335.59</u></u>	<u><u>₱ 206,642,049.44</u></u>

NATIONAL PARKS DEVELOPMENT COMMITTEE

LIABILITIES AND EQUITY

	Notes	<u>2011</u>		<u>2010</u>
Liabilities	10			
Accounts Payable	P	7,692,275.24	P	6,385,001.30
Due to Officers and Employees		10,018.95		7,598.40
Due to National Treasury		99,034.08		153,034.08
Due to BIR		829,112.36		704,493.32
Due to GSIS		96,505.43		116,890.45
Due to PAG IBIG		14,966.83		244,008.75
Due to PHILHEALTH		262.50		262.50
Due to NGAs		143,633,974.65		5,713,912.35
Due to GOCCs		831,978.98		968,133.35
Performance Bonds Payable		3,595,202.45		3,551,924.85
Other Payables		8,208,235.73		5,374,470.12
Total Liabilities	P	<u>165,011,567.20</u>	P	<u>23,219,729.47</u>
Equity	11			
Government Equity, January 1		183,422,319.97		176,710,074.01
Purchases of Assets from TLA		2,404,657.15		
Receipt donation of Motor Vehicles		2,500,000.00		
Retained Operating Surplus				
Current Operations		(18,824,976.78)		6,432,599.70
Prior Year's Adjustment		(87,231.95)		279,646.26
Government Equity, December 31		<u>169,414,768.39</u>		<u>183,422,319.97</u>
Total Liabilities and Equity	P	<u>334,426,335.59</u>	P	<u>206,642,049.44</u>

Detailed Statement of Income and Expenses

As of the year ending December 31, 2011

(With Comparative Figures for CY 2010)

	Note	<u>2011</u>		<u>2010</u>
Income				
Subsidy Income from National Government	12	P 214,629,061.43	P	147,145,360.71
Less: Reversion of unused/lapsed NCA		295,024.30		709,543.43
Refunds by Disbursing Officers		14,001.22		6,344.79
Cancelled Checks		271,250.15		33,597.50
Loss on Sale of Assets		<u>72,958.50</u>		<u>-</u>
Subsidy Income from National Government-Net		P 213,975,827.26	P	146,395,874.99
Less: Expenses				
Personal Services	13			
Salaries and Wages-Regular Pay		47,535,220.42		44,635,775.67
Personnel Economic and Relief Allowance		6,801,782.33		1,741,959.97
Additional Compensation				5,211,981.75
Representation Allowance		324,000.00		324,000.00
Transportation Allowance		240,000.00		240,000.00
Clothing Allowance		1,171,760.00		1,188,000.00
Productivity Incentive Benefits		568,500.00		592,000.00
Cash Gift		1,431,000.00		1,465,625.00
Christmas Bonus		3,937,967.30		3,684,250.05
Life and Retirement Insurance Contributions		5,465,800.61		5,056,545.60
PAG-IBIG Contributions		341,300.00		349,600.00
PHILHEALTH Contributions		534,887.50		508,050.00

ECC Contributions	335,598.94	331,617.91
Terminal Leave Benefits	1,458,046.58	488,740.56
Other Personnel Benefits	<u>2,820,000.00</u>	<u>2,018,800.00</u>
<i>Total Personal Services</i>	P <u>72,965,863.68</u>	P <u>67,836,946.51</u>

Maintenance & Other Operating Expenses **14**

Traveling Expense-Local	510,613.12	104,589.50
Training Expenses	78,804.00	12,600.00
Office Supplies Expense	376,590.32	433,823.30
Accountable Forms with Face Value Expense	456,920.00	110,100.00
Zoological/Animal Maintenance Expense	86,355.00	100,645.00
Drugs and Medicine Expense	17,461.00	753.00
Gasoline,Oil and Lubricants Expense	1,112,767.94	1,002,147.86
Other Supplies Expense	1,301,073.18	1,728,252.66
Water	6,173,938.23	6,201,157.57
Electricity	19,432,469.26	12,701,985.46
Postage and Deliveries	4,602.00	363.00
Telephone Expenses-Landline	284,582.70	296,420.76
Telephone Expenses-Mobile	172,658.90	162,644.18
Internet Expenses	79,992.62	75,346.57
Advertising Expense	46,146.00	51,607.82
Printing and Binding Expenses	105,283.50	88,072.50
Rent Expense	100,000.00	158,580.00
Representation Expense	371,847.70	205,442.69

Subscription Expense	9,198.00	7,414.02
Legal Services	204,000.00	180,000.00

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	Note	2011	2010
		<hr/>	<hr/>
Auditing Services		52,986.04	29,748.10
Janitorial Services		7,276,456.60	2,789,193.29
Security Services		19,116,425.23	20,960,496.22
Other Professional Service		4,437,337.70	3,119,296.88
Repairs and Maintenance-Office Buildings		891,652.17	317,406.74
Repairs and Maintenance-Other Structures		78,708,351.92	2,570,211.17
Repairs and Maintenance-Office Equipment		31,575.00	110,169.80
Repairs and Maintenance- Furnitures and Fixtures		55,500.00	154,260.00
Repairs and Maintenance- Communication Equipment		20,979.00	
Repairs and Maintenance- Other Machineries and Equipt.		248,043.05	52,251.00
Repairs and Maintenance- Motor Vehicles		311,642.42	260,471.87
Extraordinary Expenses		80,000.00	80,000.00
Taxes, Duties and Fees		84,698.52	11,264.29
Fidelity Bond Premium		43,462.50	32,400.00
Insurance Expense		52,412.14	44,594.13
Depreciation Expense- Land Improvements		13,518,248.17	15,412,760.52
Depreciation Expense- Office Buildings		274,718.40	274,718.40
Depreciation Expense- Other Structure		2,484,886.61	1,153,431.51
Depreciation Expense- Office Equipment		340,436.87	305,946.47

Depreciation Expense- Furnitures and Fixtures	31,237.11	22,084.80
Depreciation Expense-IT Equipment and Software	3,737.49	310.00
Depreciation Expense- Motor Vehicles	184,800.00	121,050.00
Depreciation Expense- Other PPE	523,818.20	304,384.75
Other Maintenance and Operating Expense	<u>136,231.75</u>	<u>377,932.95</u>
<i>Total Maintenance & Other Operating Expenses</i>	<u>159,834,940.36</u>	<u>72,126,328.78</u>
Total Expenses	<u>232,800,804.04</u>	<u>139,963,275.29</u>
Excess of Income over Expense (Excess of Expenses over Income)	P <u>(18,824,976.78)</u>	P <u>6,432,599.70</u>

NATIONAL PARKS DEVELOPMENT COMMITTEE
Statement of Cash Flows
As of December 31, 2011
(With Comparative Figures for CY 2010)

	Note	2011
<i>Cash Flow from Operating Activities</i>		
<i>Cash Inflows:</i>		
Receipt of NCA	15	P 204,859,792.00
Inter agency transfer from DOT for the implementation of various priority projects; NHCP for 2011 Rizal Day and 2011 Independence Day Celebration;		
NCCA, DOLE for housekeeping		157,799,750.00
Financial assistance from Hoopla Inc. and MMS		5,050,000.00
Collection of Bid Documents and Bid Bond/Collection of Cash Bond		2,051,200.00
Collection of Concessionaire's Water and Electricity		1,424,277.59
Receipt of refunds of cash advances (TLA)		1,313,404.75
Cancellation of Check by the Cash-Disbursing Officer		302,321.58
Collection of Concessionaire's rent and venue rental		
Collection of Vending Fee		191,970.00
Inter agency transfer from DOT for the improvement and beautification of Children's Playground and Rizal Park Marker; NHCP for 2010 Rizal Day Celebration		
Receipt of Interest Income (Net of Tax)		51,809.14
Receipt of donation from Globe Telecom		
Adjustment on the recorded transfer of unds as per bank recon dated Mar 31, 1998		
Receipt of refunds of cash advances (GF)		14,001.22
<i>Total Cash Inflows:</i>		P 373,058,526.28

Cash Outflows

Cash payment of operating expenses	191,480,773.70
Implementation of various DOT priority projects; 2011 Rizal Day Celebration	
2011 Independence Day Celebration; and housekeeping activities	17,821,617.69
Remittance of GSIS/PAG IBIG/PHILHEALTH (Employer Share)	6,718,774.25
Payment for Accounts Payable	6,023,604.21
Payment of Other Payables	4,643,833.65
Refund of cash/bid bond	2,011,000.00
Remittance of withholding tax except thru TRA	1,556,055.94
Remittance of refunds/interest income/disallowances and venue rental to BTr	1,466,946.98
Lapsed NCA at the end of every month	293,632.81
Lapsed NCA due to cancellation of check	271,250.15
Payment of BAC Allowance	170,500.00
Liquidation of cash advances granted and remittance of unused PCF of prior years	39,015.80
Remittance of refunds to Bureau of Treasury	14,001.22
Return of Unused NCA at year end	1,391.49
Return of unexpended balance of financial assistance to DOT, TIEZA & NHCP (2010)/	130.50
Payment for Concessionaire's water and electricity	
Implementation of the improvement and beautification of Children's Playground	
and Rizal Park Marker; 2010 Independence Day Celebration	
Implementation of the landscaping/beautification of Malacanang Park; NCCA	
and NPDC cultural activities; 2009 Rizal Day Celebration	
Unliquidated cash advances (PCF and Payroll Fund)	

<i>Total Cash Outflows</i>	<u>232,512,528.39</u>
<i>Net cash flow provided by operating activities</i>	P <u>140,545,997.89</u>

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	<u>2011</u>
<i>Cash Flow from Investing Activities</i>	
<i>Cash Inflows:</i>	
Transfer of funds from DOT for the purchase of Other Equipment (Shredding Machine)	1,906,000.00
Receipt of NCA	
Sale of various unserviceable equipment	<u>1,325,155.00</u>
<i>Total Cash Inflows</i>	P <u>3,231,155.00</u>
<i>Cash Outflows</i>	
Payment for the Implementation of Projects (Rehabilitation of Rizal Park Facilities)	
Acquisition of Furnitures and Fixtures, Office and Other Equipment	<u>2,631,022.75</u>
<i>Total Cash Outflows</i>	<u>2,631,022.75</u>
<i>Net cash flow provided by investing activities</i>	<u>600,132.25</u>
<i>Net cash flow provided by operating and investing activities</i>	P <u>141,146,130.14</u>
ADD: Beginning Balance, January 1	<u>12,574,517.29</u>
Ending Balance, December 31	P <u>153,720,647.43</u>

NATIONAL PARKS DEVELOPMENT COMMITTEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

1. General/Agency Profile

The National Parks Development Committee was created by virtue of Executive Order No. 30 dated January 14, 1963, for the development of the Quezon Memorial, Fort Santiago, Luneta and other National Parks. However, in view of the tri-partite agreement between the Quezon City Government, the National Historical Institute and the National Parks Development Committee, the local government of Quezon City now undertakes the management of the Quezon Memorial Park, while Fort Santiago is under the management of the Intramuros Administration.

NPDC is presently an attached agency of the Department of Tourism, pursuant to Executive Order No. 120 and is responsible for the beautification, preservation, and maintenance of the Rizal Park, Paco Park, Pook ni Mariang Makiling, Mabini Shrine and other satellite projects.

2. Basis of Financial Statement Presentation

The financial statement has been prepared in accordance with Generally Accepted State Accounting Principles and Standard.

3. Summary of Significant Accounting Policies

- 3.1 The agency uses accrual basis of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income is on accrual basis except for transactions where accrual basis is impractical or when other methods are required by law.

- 3.2 Notice of Cash Allocation is recorded in the Regular Agency Books

- 3.3 The Modified Obligation System is used to record allotments received and obligations incurred. Separate registries are maintained to control allotments and obligations for each class of allotment.
- 3.4 Supplies and materials purchased for inventory purposes are recorded using the Perpetual Inventory System.
- 3.5 Petty Cash Fund account is maintained under the Imprest System. All replenishments are directly charged to the expense account. The Petty Cash Fund is not used to purchase regular inventory items for stock.
- 3.6 Property, Plant and Equipment are carried at cost. The straight-line method is being used in depreciation of PPE with estimated useful lives ranging from five to 50 years. A residual value computed at ten percent of the cost of asset is set and depreciation starts on the second month after purchase.
- 3.7 Payable accounts are recognized and recorded in the books of accounts only upon acceptance of the goods/inventory/other assets and rendition of services to the agency.
- 3.8 Accounts were classified to conform with the new Chart of Accounts prescribed under the NGAS which was implemented effective January 1, 2002.

4. Correction of Fundamental Errors

Fundamental errors of prior years are corrected by using the Prior Year's Adjustment account. Errors affecting current year's operation are charged to the current year's account

5. Cash and Other Cash Accounts

The Cash in Bank –Local Currency Current Account pertains to deposits of financial assistance granted by other national government agencies and government owned and controlled corporations for the rehabilitation/improvement of some areas/facilities of the park, collections of cash bond posted by various clients of NPDC for the use of Rizal Park facilities, and for the collection of concessionaires' water and electricity bills.

The Department of Tourism extended financial assistance to NPDC in the amount of ₱142,500,000 (net of tax) for the Rehabilitation of Lighting System at Rizal Park and Paco Park

and procurement of Surveillance Security System Facilities and Other Equipment hence the significant increase.

Cash-Collecting Officer represents the undeposited collections of the last working day of December 2011 which was eventually deposited on the next working day of January 2012.

6. Receivables

Advances to Officers and Employees pertain to the cash advances made by various former employees of the agency who were either retired, deceased or their whereabouts are unknown.

The Due from GOCCs pertains to the unliquidated balances of cash advances granted by the Committee to Philippine Tourism Authority for the operation of Burnham Park in Baguio City.

7. Inventories

The Accountable Forms with Face Value Inventory represents the entrance tickets used by the agency for its various facilities.

The Other Supplies Inventory is composed of the various supplies such as construction materials, electrical supplies, plumbing materials, swimming pool chemicals, janitorial supplies, bird feeds, painting materials, utility supplies, nursery supplies, flags and other semi-expendable materials.

8. Investments

Investments in Stocks and Bonds are those which were purchased from PLDT and MERALCO as required before service connections are made.

9. Property, Plant and Equipment

The increase in the Motor Vehicles Account is the net effect of the disposal made on the unserviceable vehicles and the donation made by Hoopla Inc. Increase in Other Equipment is due to the acquisition of two units shredding machines for Operation Division. Office Equipment, Furniture & Fixtures IT Equipment and Software increased due to the procurement of various computers & computer peripherals, air conditioning units, executive tables and chairs.

Hereunder is the breakdown of the accumulated depreciation of ₱179,145,218.30:

Account	Cost	Accumulated Depreciation	Net Book Value
Land Improvements	₱ 224,316,146.03	₱ 120,797,009.05	₱ 103,519,136.98
Office Buildings	12,563,159.54	3,584,864.39	8,978,295.15
Other Structures	67,824,641.23	39,380,985.82	28,443,655.41
Communication Equipment	102,038.00	71,134.20	30,903.80
Motor Vehicles	6,684,685.00	3,260,891.50	3,423,793.50
Arts, Archeological Specimen and Other Exhibits	1,341,000.00	-	1,341,000.00
Office Equipment	6,783,865.54	4,567,895.06	2,215,970.48
Other Equipment	10,423,373.38	6,898,104.13	3,525,269.25
Furnitures and Fixtures	18,567,657.68	170,058.74	18,397,598.94
IT Equipment and Software	514,166.92	414,275.41	99,891.51
Books	81,277.50	-	81,277.50
Other PPE	142,800.00	-	142,800.00

Total PPE	₱ 349,344,810.82	₱ 179,145,218.30	₱170,199,592.52
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10. Liabilities

The Accounts Payable balance represents the unpaid billings of electrical consumption, unpaid billing for security services rendered and gasoline consumption for the last quarter of CY 2011.

The significant increase in Due to NGAs was due to the financial assistance in the amount of ₱142,500,000 extended by the Department of Tourism to the agency for the Rehabilitation of Lighting System at Rizal Park and Paco Park and procurement of Surveillance Security System Facilities and Other Equipment.

The Performance Bonds Payable consists of the bond posted for the use of Rizal Park and Paco Park facilities and the amount posted by concessionaires and bidders.

The Other Payables account included financial assistance from Hoopla, Inc. in the amount of Five Million Pesos for the maintenance and development of Rizal Park.

The tax withheld for the month of December, 2011 in the amount of ₱207,050.23 was remitted to BIR on January 2012

11. Government Equity

The decrease in the account represents the net effect of recognizing the purchase of various assets from Trust Liability Account, the donation of three units motor vehicle and the result of current operation.

12. Subsidy Income from National Government

The account is composed of the following items:

Notice of Cash Allocation:

Operating Requirement	₱	194,401,400.00
Accounts Payable		5,393,477.00
Performance Enhancement Incentive		2,820,000.00
Terminal Leave Benefits		<u>1,466,915.00</u>
Sub Total		204,081,792.00
Purchase of Motor Vehicles		<u>778,000.00</u>
Sub Total		204,859,792.00
Tax Remittance Advice Issued to BIR		<u>9,769,269.43</u>
SING		<u>214,629,061.43</u>
Less: Reversion of unused/lapsed NCA		295,024.30
Refunds by Disbursing Officer		14,001.22
Cancelled Checks		<u>271,250.15</u>
SING, Net	₱	<u><u>214,048,785.76</u></u>

13. Personal Services

The increase in the Personal Services is due to the net effect of the implementation of the 3rd tranche of Salary Standardization Law III of the present manpower and the retirement/separation of six NPDC personnel.

14. Maintenance and Other Operating Expenses

- 14.1 Travelling Expenses represents the expenses incurred during the planning workshop of NPDC Officers, trip to Baguio of personnel from Planning Division for the assessment of Burnham Park, trip of agency personnel to represent NPDC in Lakbay Rizal @ 150 activities in Dapitan, Zamboanga Del Norte, expenses incurred of NPDC representatives during the MICE Conference in Cebu, expenses of the Chief of Pook Ni Mariang Makiling Park (PNMMP) during the series of travel from Los Banos to Manila and the expenses of several NPDC personnel for the repair and maintenance works of various cottages in PNMMP.
- 14.2 Training Expense represents the expenses incurred by 21 NPDC Officers during the planning workshop for CY 2011, 3 NPDC employees from the Marketing Section for the seminar "Using Internet Technology to Increase your Bottomline" and seminar fee of three NPDCEA Officers for the 66th PGEA Anniversary Celebration.
- 14.3 Accountable Forms with Face Value represents entrance tickets of different park facilities such as the Children's Playground, Chinese Garden, Japanese Garden, Kanlungan ng Sining, Light and Sound Diorama and Paco Park.
- 14.4 Drugs and Medicine Expense are various medicines bought by the management of NPDC for emergency cases. It also includes first aid drugs that are being used in the various areas of the park to address emergency situations.
- 14.5 The increase in Gasoline, Oil and Lubricants Expense account is attributed to the rising cost of petroleum products.
- 14.6 Other Supplies Expense decreased for the year because the agency has outsourced the maintenance of some of the public comfort rooms.
- 14.7 There is a significant increase in Electricity Expense because of the full operation of the Musical Dancing Fountain at the Central Lagoon.
- 14.8 Representation Expense pertains to expenses of the Executive Director in representing the agency in various meetings and activities to promote the park, seek partnership and sponsorship in project implementation.
- 14.9 The increase in the janitorial services was due to the need to augment the maintenance workforce to maintain the cleanliness of the parks because of the significant increase of park visitors.

- 14.10 Increase in Other Professional Services is due to the payments made to various artists that graced the opening of Children’s Playground, Musical Dancing Fountain, Christmas Carols in Central Lagoon, Christmas Eve Celebration and the New Year’s Countdown and to other technical groups that helped in the above mentioned activities like the sound and lighting systems, event coordinators and managers.
- 14.11 Repairs and Maintenance-Other Equipment included the repairs and maintenance works done on various equipment of the agency to make them serviceable during the year such as chain saws, pressure cleaners, motor pumps, acetylene equipment, pressurized tanks, brush cutters, buggy, lawn mowers, power tools and others.
- 14.12 Repairs and Maintenance-Office Buildings pertain to repairs done at the Executive Building, Annex Building 1 and the Operations Division Building.
- 14.13 Repairs and Maintenance-Other Structures included the rehabilitation of the Diorama and the Restoration of the Paco Park amounting to ₱35,000,000 and ₱40,000,000 respectively, with a DBM SARO # A-11-00908 dated May 18, 2011 and the construction of ramps for the differently-abled and the senior citizens.

15. Allotments, Obligations and Balances

Total Allotments received during the year was ₱214,640,037.00 including Continuing Appropriation-MOOE of ₱81,799,337.00 and Automatic Appropriation-Capital Outlay of ₱778,000.00 with total obligations incurred in the amount of ₱213,473,402.23 down as follows:

FUND	CATEGORY	ALLOTMENT		OBLIGATIONS	UNEXPENDED BALANCE		
		CURRENT	TOTAL		TOTAL	REVERTED	EXTENDED
GF	PS	₱ 72,972,915.00	₱ 72,972,915.00	₱ 72,825,304.59	₱147,610.416 1	₱147,610.41	₱ -0-
101	MOOE	140,889,122.00	140,889,122.00	140,648,097.64	241,024.36	86,062.34	154,962.02
	CO	778,000.00	778,000.00		778,000.00		778,000.00
	Total	₱ 214,640,037.00	₱ 214,640,037.00	₱ 213,473,402.23	₱1,166,634.7 7	₱233,672.75	₱932,962.0 2

16. Others

The total income generated by the agency for CY 2011 was ₱56,587,359.42 derived from entrance fees, rent income, use of Rizal Park facilities and interest income. The amount of ₱56,307,098.01 was recorded in NG Books while interest income of ₱64,761.41 and fees for excess hours deducted from Cash Bond posted in the amount of P215,500 was recognized in RA Books. NG Books total collections including the amount of ₱135,188.70 representing the beginning balance of Cash-Collecting Officers amounted to ₱56,800,788.69 and the total remittance to Bureau of Treasury (BTr) for the year was ₱56,560,817.99 leaving a balance of ₱239,970.70 which was immediately remitted to the BTr in the first working day of January, 2012. The balance of receivable as at year end is ₱21,397,930.72

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. Value for Money Audit

Inadequate and ineffective collection measures

1. Of the total **₱21,397,930.73** accounts receivables, **₱9,255,144.05** had been outstanding for six months to more than two years, and **₱12,720,224.36** or **59.4%** pertain to the unpaid rentals of 17 concessionaires whose businesses were closed between 1993 to 2011. The accumulation of receivables was due to inadequate and ineffective collection measures.
 - 1.1 The NPDC leases some portions of the Rizal Park to concessionaires through memorandum of agreements/lease contracts whereby the amount to be paid by the latter to the former, as well as the frequency of payment of rentals due are stipulated. Monthly billings are to be served by the Administrative and Finance Division. The bills are the basis for recording the receivables in the National Government (NG) books with the details recorded in the subsidiary ledger maintained by the Accounting Section.
 - 1.2 Review of the schedule of the accounts receivable, NG books, as of December 31, 2011 totaling **₱21,397,930.73**, details of aging shown in Annex A, and the corresponding subsidiary ledgers disclosed that a total of **₱9,255,144.05** had been outstanding for more than six months to more than two years.
 - 1.3 Of the total receivables, **₱12,720,224.36** or **59.4%** pertain to 17 concessionaires with unpaid rentals whose businesses were already closed between 1993 to 2011, as shown in the following table:

Schedule of Unpaid Rentals and Year Business was Closed

Name of lessees	Unpaid Rentals as of Dec. 2011	Year Closed	Year referred to OSG	No. of Years lapsed from closure to referral to OSG
With cases filed				
1. Boys Scout of the Philippines	307,080.00	1998	2006	8
2. Settlement House (Kapwa ko Mahal Ko) represented by EufraciaTurla	234,680.00	2001	2006	5
3. Colunik Enterprises	336,818.18	2002	2006	4
4. Antonio Selda	349,200.00	2007	2009	2
5. Golden Horizon	6,775,971.15	2007	2009	2
6. Dante's Kiosk	365,339.04	2007	2009	2
TOTAL	₱ 8,369,088.37			
Without cases filed				

Name of lessees	Unpaid Rentals as of Dec. 2011	Year Closed	Year referred to OSG	No. of Years lapsed from closure to referral to OSG
1. Bill Warne	10,000.00	1995	2006	10
2. NPDC Foundation	25,141.50	1993	2006	13
3. Asilo De San Vicente	15,000.00	1993	2006	13
4. Sun Cruise	28,500.00	1994	2006	12
5. Carlos Laurel	309,000.00	1999	2006	7
6. Blessful Kitchenette	308,387.09	2000	2006	6
7. Pad Canteen	618,000.00	2001	2006	5
8. Halika Foundation	659,276.25	2004	2009	5
9. Enchanting Seaview	191,216.15	2009	2011	2
10. Phil. Eye & Ear Infirmary	179,615.00	2010	2011	1
11. Blue Bay Restaurant	2,007,000.00	2011	2011	2 months
TOTAL	4,351,135.99			
GRAND TOTAL	₱ 12,720,224.36			

1.4 Records showed that the NPDC had been serving monthly bills to the concerned concessionaires to collect unpaid rentals. Demand letters were also sent to these lessees from 2006 to 2011.

1.5 Records also showed that receivables from 15 of the 17 establishments were referred to the OSG only after two to thirteen years the business establishments were closed. The OSG had filed cases against six (6) concessionaires to collect the total unpaid rentals of ₱8,369,088.37, of which only 2, with total receivables of ₱571,498.18, have been handed decision by the court. The OSG has yet to file cases against the 11 concessionaires with total unpaid rentals of ₱4,351,135.99, because five of the concessionaires cannot be located in their last known addresses, documents for the three concessionaires are still being prepared and collated, while the receivable accounts of Blessful Kitchenette and Carlos Laurel, will be reconciled for possible offsetting with their deposits as it was found out that these two concessionaires were not able to operate their businesses in their supposed leased spaces.

1.6 Evaluation disclosed that the collection strategies adopted/undertaken by the Committee appears to be inadequate as evidenced/manifested by the accumulation of substantial outstanding unpaid rentals. The NPDC did not institute the following courses of action to ensure/enforce collection of unpaid rentals:

- a. Imposition of penalty on the amount due;
- b. Limiting arrearages to the amount of advance rentals and deposits;
- c. Termination of contract for non-compliance of the agreed terms and conditions on payment of rentals due as stated in the lease contracts; and

d. Timely referral of the cases to the Office of the Solicitor General for filing of appropriate action against the delinquent concessionaires.

1.7 **We recommended that the Executive Director direct the Chief, Administrative and Finance Division to:**

a. **submit a report to the office of the Executive Director on lessees whose arrearages exceeded the amount of deposits and advances so that appropriate action can be taken immediately;**

b. **submit to the representatives of the OSG records/documents of all concessionaires who are delinquent in payment of monthly rentals for more than three months for the filing of appropriate legal action to protect the interest of the government;**

c. **closely coordinate with the OSG representatives to ensure that cases are filed against delinquent concessionaires on opportune time to enforce collection of receivables and apprise the Office of the Executive Director on the action taken and/or status of any case filed.**

Review of the Contract of Lease by and between National Parks Development Committee (NPDC) and Cindy's Hamburger, Inc. (CHI) showed the following deficiencies:

2. **While the agreed rental payment of CHI to NPDC of ₱166.67 per square meter is only 8% below the prevailing rental rate of ₱182.00 per square meter at the time of the contract, the rental rate beginning 2002 to 2010 is 48% to 39% below the prevailing rental rate in the vicinity. This was due to the use of a fixed incremental rate of 10% every four years instead of adjusting the rate to the prevailing rate within the vicinity. Moreover, NPDC was not able to monitor the implementation of the Contract, thus CHI was able to continuously use the leased area despite non-compliance with the terms and conditions agreed upon which is grossly disadvantageous to the government.**

a) CHI's rental rate lesser than prevailing rate in the vicinity.

2.1 A contract of lease was executed by and between the NPDC and the CHI on January 1998, wherein the latter was allowed to lease a portion of the park space with an area of 300 sq. meters for the purpose of operating a restaurant, bakery and food catering services for a period of 20 years starting January 1, 1998 to December 30, 2017. The agreed monthly rental is ₱50,000.00 which shall be increased by not more than 10% every four years or whatever is provided by law and which is advantageous to the government.

- 2.2 On January 2010, the Audit Team made a survey on the prevailing monthly rental rates of business establishments within the vicinity of Rizal Park and Intramuros area. Results of the survey follow:

Location	Inclusive Year	Description	Monthly Rental Per Sq.m
Kalaw	2002-2010	within a building-ground floor	₱700.00
		within a building-upper floor	₱315.00
Intramuros	2002-2010	(without a building)	₱352.00

- 2.3 Comparison of the monthly rental rate of ₱166.67 per sq. m. charged by NPDC to CHI with the prevailing rental rate of ₱182.00 per sq. m. at the time the contract was drawn revealed that it is ₱15.33 or 8% below the prevailing rental rate within the vicinity. However, beginning 2002 to 2011, the rental rate of CHI to NPDC is 48% to 37% below the prevailing rental rate within the vicinity thus grossly disadvantageous to the government.
- 2.4 The total difference from the start of rental payment on January 9, 1999 to December 31, 2011 is ₱6,688,000 computed as follows:

Period	Prevailing Monthly Rental Rate per sq. m.	Monthly Rental at 300 sq.m			No. of Months	Total	
		Should be	Per Contract	Difference			% (difference / Should be)
Jan. 5, 1999- Jan. 2002	₱ 182.00	₱ 54,600.00	₱50,000.00	₱4,600.00	8.42	48	₱ 220,800
Jan. 2, 2002- Dec. 2005	352.00	105,600.00	55,000.00	50,600.00	47.91	48	2,428,000
Jan. 2006- Dec. 2009	352.00	105,600.00	60,500.00	45,100	42.70	48	2,164,800
Jan. 2010- Dec. 2011	352.00	105,600.00	66,550.00	39,050.00	36.97	48	1,874,400
							₱ 6,688,000

- 2.5 It would be noticed that the difference between the monthly rental per contract and per Team's computation was caused mainly by the use of a fixed incremental rate of 10% every four years instead of the prevailing rate.

b) CHI's non-compliance to the contract provisions

- 2.6 On July 27, 2004, NPDC thru a supplemental contract of lease, allowed CHI to sublease the lease space with the same conditions and stipulations with the original contract and requiring CHI to furnish NPDC a copy of the sublease contract it may enter into.
- 2.7 On July 28, 2004, CHI subleased the whole 300 sq. m to Wenphil Corporation, the operator of Wendy's Hamburger for a period of five years starting July 30, 2004 to July 29, 2009 with the following rental rates:

Period	Monthly Rate
Year 1	₱ 100,000.00
Year 2	107,000.00
Year 3	114,490.00
Year 4	122,504.30
Year 5	₱ 131,079.60

2.8 Audit disclosed that NPDC was not able to monitor CHI's compliance with the terms of the Contract as manifested by the following violations of CHI:

- *Provisions of the sublease contract not in accordance with the original contract*

Comparison of the provisions of the sublease contract (between CHI and Wenphil Corporation) with the original contract (between NPDC and CHI) revealed that the following terms and conditions of the sublease contract are not in accordance with the original lease contract:

1. *Giving the sub-lessee the right to sublet or assign a portion of the leased premises*

CHI in its sublease contract with Wenphil Corporation allowed the assignment or the subletting of the leased space, which is not allowed under the supplemental contract between NPDC and CHI.

2. *Imposition of monthly interest as penalty for delayed payment of the monthly rental*

CHI was not required by NPDC to pay interest as penalty for late payment whereas CHI required its sub-lessee to pay 2% monthly penalty for delayed payments.

3. *The monthly rental for the 1st year of sublease is 100% more of the monthly rental CHI paid to NPDC.*

- *Non-provision of copy of Sublease Contracts with Wenphil Corporation*

On March 8, 2012, the Chief, Administrative & Finance Division, furnished the Audit Team with a copy of a letter from Wenphil Corporation addressed to CHI, wherein Wenphil manifested its intention to renew its sublease contract temporarily from October 1, 2011 to Sept. 30, 2012 covering an area of 200 sq. meters for a monthly rental of ₱432.57 per sq. meter or a total of ₱86,513.76. Verification with the records, however, revealed that CHI did not furnish NPDC a copy of the renewal

of its sublease agreement with Wenphil Corporation after its expiration in July 29, 2009.

- *Sub-leasing the leased area to establishment with business not agreed upon*

CHI subleased 100 sq. meters of the leased space for a monthly rental of ₱20,000.00 to RGRABINO Graphics Bay Print Shop with business not related to the stipulated allowed business of food, bakery and food catering services.

2.9 We recommended that the Executive Director:

1. Revise the lease agreement to consider the following:

- a. increasing the rental rates stated in the original contract to conform with the prevailing rates within the vicinity of ₱352.00 per sq. m.**
- b. imposition of interest as penalty for late payment in the monthly rental.**

2. Work for the termination of the supplemental lease agreement between NPDC and CHI which authorizes the latter to sublease the leased space for violation of the terms and conditions stipulated therein as follows:

- a. subleasing 100 sq. meters of the leased space to an entity not engaged in business for food, bakery and food catering services;**
- b. giving the sublessee the authority to assign or sublet the leased space, which is not included in its authority to sublease**

Failure to either exercise or stipulate in the MOA actions to be taken for lessee's non-compliance

3. *NPDC failed to a) exercise measures for non-compliance of Luneta Seafarers' Welfare Foundation (LUSWELF) as stipulated in the MOA, b) stipulate in the MOA actions to be taken against Arts Association of the Philippines (AAP) of the agreed terms and conditions to the prejudice of the Committee's Mandate.*

a) Failure to exercise measures stipulated in the MOA against LUSWELF

3.1 In December 16, 2008, NPDC leased to LUSWELF 1,395 sq. meters of park space along T. M. Kalaw Street for the purpose of providing services related to shipping and manning to seafarers with rental in the form of financial assistance of ₱250,000.00 annually but was later increased in January 2009 to ₱2.4 million annually after an audit evaluation was conducted on the rate of the rental. Some of the stipulated terms and conditions of the lease agreement are as follows:

1. LUSWELF is authorized to put movable stalls in the open area for food provisions and other merchants of commerce related to shipping and manning such as insurance, manning, among others, to collect reasonable rent in the amount sufficient to cover the necessary expenses for the maintenance and operation of the said premises;
 2. Shall ensure that the operation of the center does not contradict with NPDC's mandate relative to culture and heritage preservations;
 3. Shall obtain the written consent and/or approval of NPDC prior to any plan or development or activities other than that stated herein within the premise;
 4. Shall undertake for its account, all repairs as necessary to maintain the premise in good, habitable, clean and sanitary condition and shall not injure, mark or destroy any park facility, structure and environment.
- 3.2 Ocular inspection conducted on February 16, 2011, however, showed that LUSWELF did not comply with the terms and conditions of the agreement as follows:
1. Concrete and permanent structures were constructed without the prior consent of NPDC affecting the cultural and heritage preservation of the park;
 2. A business such as a Lotto Outlet was allowed to operate, which is not in any way related to shipping, insurance, and manning activities; and
 3. The place was not maintained in a good, habitable, and sanitary condition to the prejudice of the mandate of the agency to maintain the cleanliness of the park as the only premier park in the country.
- 3.3 The team noted that while NPDC had called the attention of LUSWELF of their violations on the agreed terms and conditions thru letters dated March 14, 2011 and June 21, 2011, NPDC did not exercise its option to terminate the agreement six months after LUSWELF's inaction to rectify their infractions.
- 3.4 We recommended that NPDC enforce the actions against LUSWELF for non-compliance as provided in the contract such as termination of the agreement.**
- b) Failure to stipulate in the MOA action to be taken against AAP*
- 3.5 A memorandum of agreement was entered by and between the NPDC and the AAP wherein NPDC authorized AAP to manage and operate the "Kanlungan ng Sining" as a gallery and as an institutional venue for the activities which will contribute to the development and upliftment of all art forms within the general term "visual arts". Some of the terms and conditions of the agreement include the following:

1. AAP shall hold major exhibits in celebration/observance of national events such as Rizal Day and Independence Day, among others. NPDC shall provide schedules of events/activities for proper coordination;
2. AAP shall credit NPDC in all public/promotions as co-presenter;
3. That all sales proceeds arising from such activities as exhibits, workshops, meetings, conventions, film/slide showing and other art related income generating projects using the Kanlungan ng Sining as a venue shall be handled by the AAP under accounting and book keeping methods as will later be prescribed by the NPDC;
4. That all proceeds from the sale of artwork shall be divided as follows:
 - 70% to artist
 - 15% to NPDC
 - 15% to AAP
5. That all proceeds from other income generating activities such as seminars, workshop, film/slide presentations, conventions, etc. shall be divided equally between NPDC and AAP;
6. The AAP shall compensate the utilization of NPDC staff overtime, water and electrical consumption.

3.6 Verification of documents, however, revealed that:

1. No income were remitted to NPDC as its share from sale of artworks when exhibits were conducted on Rizal Day and Independence Day or from any art related income generating activities such as seminars, workshop, film/slide presentations, conventions, etc.
2. It did not compensate the utilization of NPDC staff overtime, water and electrical consumption.

3.7 The non-compliance of AAP with the terms and conditions of the contract could be attributed to NPDC's failure to prescribe accounting and bookkeeping methods related to sales proceeds arising from AAP's activities using the Kanlungan ng Sining as venue, and failure to include in the contract provisions on what courses of actions the NPDC may resort if AAP failed to comply with its obligations.

3.8 It is recommended that NPDC:

1. **prescribe accounting and bookkeeping methods related to sales proceeds arising from activities of AAP using the Kanlungan ng Sining as venue and conduct regular monitoring of AAP's compliance thereof;**

2. **work for the revision of the contract with AAP to include provisions on the courses of actions NPDC could take against AAP in case of non-compliance with the terms and conditions thereof.**

4. *Prior year's recommendations involving the assignment of rights by the NPDC to the Philippine Tourism Authority (PTA), now renamed Tourism Infrastructure and Enterprise Zone Authority (TIEZA), were not implemented resulting in a) non-correction of the legal infraction of the said Assignment of Rights, b) non-collection of the unpaid balance of ₱5.3 million as consideration to the assigned area; and c) COPL's usage and management of the two comfort rooms adjacent to the Quirino Grandstand which were not included in the area assigned by NPDC to TIEZA.*

4.1 On December 19, 2007, NPDC assigned its rights and prerogatives to TIEZA over a portion of Rizal Park located behind the Quirino Grandstand with an area of 42,551 sq.m. and in consideration, thereof, TIEZA agreed to remit the following amount to NPDC:

1. Six Million Four Hundred thousand Pesos (₱ 6,400,000.00) annually, payable in equal quarterly installments commencing on the third month from the completion of the intended works of TIEZA;
2. An amount equivalent to eighty percent (80%) in excess of Eight million pesos (₱8,000,000.00), of any amount the TIEZA may receive by way of compensation for the lease, rent, or other disposition of the use of the assigned property likewise payable in equal quarterly installments commencing on the third month from the completion of the intended works of TIEZA ; and
3. Transition fee equivalent to One Million Eight Hundred Thousand Pesos (₱1,800,000.00) per annum payable for a period of nine (9) months from date of the contract which is December 19, 2007 or until the completion of TIEZA's intended developments, whichever comes first.

4.2 Subsequently, the TIEZA entered into a contract of lease with COPL on February 18, 2008. Included in this contract of lease is the area assigned by NPDC to TIEZA. An addendum to this contract of lease was also entered into by TIEZA and COPL on March 16, 2009.

4.3 In our previous AARs, various observations and the corresponding recommendations were made. Monitoring of the implementation of these recommendations revealed the following:

- a. The TIEZA and the NPDC have not yet agreed on remedial corrective legal measure on the questionable Assignment of Rights; TIEZA's entering into a lease contract with COPL with an area more than the area assigned by the NPDC; and the excess area occupied by COPL.

a.1. Questionable Assignment of Rights

In our 2008 and 2009 AARs, the audit team recommended among others that NPDC rescind the Deed of Assignment in favor of TIEZA since NPDC is not authorized to cede or assign its right over any portion of Rizal Park pursuant to its mandate under Executive Order Nos. 30, 120, and 160. In order not to place the Philippines in bad light/image in the eyes of foreign investors, it is recommended in our 2010 AAR that the NPDC and the TIEZA agree on remedial corrective legal measure to be able to continue honoring the commitments to COPL. None has been agreed upon to date.

a.2. TIEZA's entering into a lease contract with COPL covering an area more than the area assigned by the NPDC

TIEZA entered into a Contract of Lease with COPL on February 18, 2008. An addendum to this Contract of Lease was made on March 16, 2009, describing the lease area pertaining to the area assigned by NPDC to TIEZA. The technical description in the addendum is, however, different from the technical description in the Assignment of Rights between NPDC and TIEZA. The total area leased by TIEZA to COPL of 51, 278 sq. m. is 8,727 sq. m. more than the assigned area of 42,551 sq.m.

The audit team in 2009 reported that COPL was found to have occupied an excess area of 3,028.89 sq. m. as a result of the survey conducted by NPDC on Jan. 16, 2009. That excess area, however, was already recovered by the Committee sometimes in 2010.

Because of COPL's construction of a fence around the lease area, a re-survey was conducted by the NPDC on February 2011 which showed that the actual area occupied by COPL total to 45,343.25 or 2,792.25 sq. meters in excess of the area assigned to TIEZA by NPDC.

- b. NPDC has yet to collect from TIEZA the unpaid balance of ₱5,290,389.53 as consideration for the assigned area.*

In its CY 2010 AAR, the audit team reported the amount of ₱6,357,056.27 as unremitted by TIEZA to NPDC representing transition and fixed rental for the lagoon

and parking area. As of December 31, 2011, NPDC has yet to collect from TIEZA a total of ₱5,290,389.53 for the unpaid balance as shown below:

Nature	Location	Period	Amount
Transition rental	Parking Area	Dec. 18, 2007 to Feb. 18, 2008	₱17,208.00
-do-	Lagoon Area	Dec. 18, 2007 to Sep. 18, 2008 (overpayment)	(821,250.00)
Fixed rental	Parking Area	Oct. 2009 to Feb. 2010	1,000,000.00
-do-	Lagoon Area	Sep. 19, 2008 to Dec. 2011	6,548,950.97
Total			₱6,744,909.19
Less: Payment (April 16, 2010)			<u>(1,454,520.08)</u>
Total Amount Due			₱ 5,290,389.11

TIEZA in its letter dated May 19, 2011 stated that the unpaid rental of ₱4,757,056.27 was due to the two (2) different reckoning dates for the payment of full rental for the lagoon area. In the Assignment of Rights between NPDC and TIEZA, it is Sept. 19, 2008 while the Contract of Lease with COPL and TIEZA, it is April 1, 2010. So COPL started to pay only on this contract date.

It would be noted, however, that the contract of Lease between COPL and TIEZA is independent from the Assignment of Rights between NPDC and TIEZA, thus, the reckoning date of payment of TIEZA to NPDC is what was stipulated in the Assignment of Rights between NPDC and TIEZA.

- c. *COPL occupied and managed the two comfort rooms adjacent to the Quirino Grandstand which was not included in the area assigned by NPDC to TIEZA.*

Results of ocular inspection conducted by the Audit Team on January 10, 2012 revealed that COPL occupied and managed the Girl's Scout and the Boy's Scout comfort rooms which are adjacent to the Quirino Grandstand since November 2008. These comfort rooms were used to be managed by the NPDC and have an average monthly income of ₱15,000.00 and ₱31,000.00 respectively. It was also noted that COPL had already constructed improvements in the whole 51,278 sq. meters leased to them by TIEZA.

4.4 We are reiterating previous year's audit recommendations that:

- a. NPDC and TIEZA to agree on remedial corrective legal measure on the questionable assignment of rights by NPDC to TIEZA of a portion of Rizal Park and to continue honoring the commitments to COPL;**
- b. NPDC to take appropriate action against TIEZA for entering into an amended agreement for an area of 51,278 sq. m. which is 8,727 sq. m. more than the 42,551 sq. m. that NPDC had assigned to them.**
- c. NPDC to require TIEZA for the rental of the additional leased space, considering that improvements had already been constructed by COPL in the whole 51,278 sq.m.**
- d. NPDC to follow-up for the immediate payment by TIEZA of the consideration of the assignment of right that was delayed for one month to three years already totaling ₱5,290,389.53;**

4.5 We also recommended that NPDC recover possession and management of the two comfort rooms adjacent to the Quirino Grandstand or require TIEZA to remit income accruing from entrance fees for the use of the facility for the period November 2008 up to December 31, 2011 or the total amount of ₱1,748,000.00.

Management of the Rizal Park's various comfort rooms by CBM without public bidding and assessment of the reasonableness of the monthly rental

5. NPDC entered into a Memorandum of Agreement (MOA) for the Public Comfort Room Management with Consolidated Building Management (CBM) without the benefit of public bidding in violation of RA No. 9184 depriving the government of securing the best price for its facilities. In addition, the reasonableness of the monthly rental of ₱10,000.00 per comfort room could not be relied as there was no assessment conducted.

a) No public bidding

5.1 The NPDC and CBM, entered into a MOA whereby CBM was authorized to manage the six pay comfort rooms at the Rizal Park, and shall pay a monthly lease rental of ₱10,000.00 for each comfort room or a total of ₱60,000.00 per month.

5.2 Evaluation of the provisions of the MOA revealed that it was entered into by NPDC and CBM without the benefit of a competitive public bidding contrary to Section 10 of RA 9184 which requires that all procurement shall be done through Competitive Bidding.

5.3 The 6th and 7th “Whereas” clause of the MOA, indicated that CBM represented itself as able and qualified to undertake operations and maintenance of the pay comfort rooms of NPDC, warrants that it has an independent business, duly registered with the Department of Labor, and has adequate capital and personnel to perform the services needed by NPDC. Apparently, based on these representations of CBM, the MOA was agreed upon. It was also noted that the undated MOA was notarized only on October 21, 2011, while it will be effective on June 13, 2011 and will continue until an award shall be made after a public bidding is conducted for the purpose.

5.4 While CBM is managing the operations of the leased comfort rooms on the basis of the MOA, NPDC conducted public bidding. It was noted in the undated Memorandum of the Bids and Awards Committee that on two (2) occasions that NPDC advertised the Notice to Apply for Eligibility and to Bid, only CBM submitted Letter of Intent to Apply for Eligibility and to Bid. However, CBM did not submit any duly accomplished Pre-qualification form. Thus, NPDC declared a failed bidding and decided to enter into a negotiated contract with CBM.

5.5 Interview with the Chief, Administrative & Finance Division revealed that no new MOA was drawn between NPDC and CBM. CBM’s continued management of the pay comfort rooms was based on the MOA dated June 13, 2011 notarized on October 21, 2011.

5.6 **It is recommended that Management require the concerned officials to explain on why no public bidding was conducted before entering into a MOA for the management of the pay comfort rooms. Henceforth, strict compliance to RA 9184 or the Procurement Act should always be pursued.**

5.7 Management Comments:

- After the re-opening of the childrens’ playground and the Dancing Fountain, the visitors of the park tremendously increased, but the comfort room users complained, there are times that the comfort rooms were closed due to lack of manpower and the facilities were not properly cleaned, and there were times that people just relieved themselves anywhere in the park.
- Moreover, there were lots of events lined-up for the 150th birthday of Jose Rizal. It was necessary therefore to negotiate with an entity who is more than willing to manage the comfort rooms in the meantime that the process of public bidding was being made, in order to serve well the visitors coming to attend the events.

5.8 Audit Team’s Rejoinder

- The influx of the visitors of the park after re-opening of the Children’s Playground and the Dancing Fountain in the latter part of 2010 was expected, therefore, there

was ample time to conduct the public bidding for the purpose and the award of the contract could have been made in time for the events lined-up for the 150th birthday of Jose Rizal.

b) No assessment of the reasonableness of the monthly rental

- 5.9 There was no evaluation or study conducted that would show the reasonableness of the monthly rental of ₱10,000.00 for each comfort room agreed upon by the NPDC and CBM.
- 5.10 The MOA between NPDC and CBM provides that CBM shall be responsible for the following:
1. Housekeeping and ticketing personnel to conduct sanitation/cleaning and to collect entrance fees from the CR users;
 2. Provision for tools, cleaning chemicals, materials and all necessary consumables;
 3. Cost of labor and materials for repair of electrical, plumbing, and other related minor defects;
 4. Cost of utilities such as water and electricity.
- 5.11 In return, NPDC shall allow CBM to collect ₱5.00 entrance fee for the use of the comfort rooms as income to pay the salaries, wages, benefits, materials, supplies and consumables and other operational maintenance, improvement, and utilities consumption.
- 5.12 On March 2, 2012, the Audit Team requested documents and information on how the monthly rental of ₱10,000.00 per comfort room was arrived. However, as of date, the requested documents/information was not furnished to the Audit Team.
- 5.13 It was also noticed that even the bid documents did not indicate the minimum amount of bid.
- 5.14 In the absence of such information, the Audit Team computed the estimated monthly net income that could be derived in the management of the comfort rooms using the following data:
- a. Gross Income - based on the average daily comfort room users of 177,096 during the period January 1-31, 2011 multiplied by ₱5.00.
 - b. Electricity and water – based on the July 2011 billing of NPDC to CBM
 - c. Salaries – the minimum daily wage rate of ₱405 multiplied by 30 days for 26 personnel (13 janitors/janitress and 13 ticketing personnel)

d. Materials - estimated at ₱5,000 each comfort room.

e. Contingencies – 5% of gross income

Gross Income		₱ 885,480.00
Expenses		
Electricity	₱ 17,000.00	
Water	185,000.00	
Salaries	316,000.00	
Materials	30,000.00	
Contingencies	46,000.00	594,000.00
Net		₱ 291,480.00

5.15 It would be gleaned from the above computation that the ₱60,000 monthly rental the CBM is paying NPDC is only 20.6% of the estimated monthly net income of ₱291,480. Considering the foregoing, the management contract could be considered disadvantageous to the NPDC.

5.16 **It is recommended that the Executive Director should:**

- 1. create a committee that would conduct a thorough study and evaluation to determine the appropriate monthly lease rental for the management of the various comfort rooms at the Rizal Park.**
- 2. work for the revision of the management contract by considering the results of the study conducted by the committee to be created.**

B. Financial and Compliance Audit

Unreconciled balances of Inventory and Property, Plant and Equipments with the property record in the amount of ₱1.8 million and ₱24.6 million, respectively.

6. There were discrepancies of ₱1,805,093.29 and ₱24,576,554.50 between the Inventory and PPE Accounts balances, respectively, recorded in the books and that recorded in the property records due to the failure of the accounting and property divisions to finish reconciliation and updating of property cards, PPE ledger cards and Acknowledgement Receipt for Equipment (ARE)

6.1 Section 43 of the Manual on the New Government Accounting System (NGAS), Vol. I specifically paragraph 3 provides that *“The Accounting Unit shall maintain perpetual inventory records such as the Supplies Ledger Cards for each inventory stock, Property, Plant and Equipment Ledger Cards for each category of plant, property and equipment including work and other animals, livestock, etc. The subsidiary ledger cards shall contain the details of the General Ledger accounts.”* Paragraph 4 thereof also states that

“For check and balance, the Property and Supply Office/Unit shall maintain Property Cards (PC) for property, plant and equipment. The balance in quantity per PC should always reconcile with the ledger cards of the Accounting Unit.”

6.2 Section 56, also of the same Manual, Vol. II requires that Acknowledgement Receipt for Equipment (ARE) shall be used to acknowledge the receipt of property and equipment for official use from the Property Officer and the ARE shall be renewed every three years or every time there is a change of accountability.

6.3 Section 4 (p) Chapter 2 of the same Manual, Vol. I states that *“Serviceable assets no longer being used shall be reclassified to “Other Assets” account and shall not be subject to depreciation.*

Inventory Accounts- ₱1.8 million

6.4 Audit disclosed that the inventory accounts consisting of accountable forms with face value and other inventory items showed a discrepancy of ₱1,805,093.29 shown as follows:

Inventory Accounts	Book Balance	Property Balance	Discrepancy
Accountable Forms with face value	₱ 176,350.00	₱ 90,960.00	₱ 85,390.00
Other Inventory Items	2,474,495.93	754,792.64	1,719,703.29
Total	₱ 2,650,845.93	₱ 845,752.64	₱ 1,805,093.29

This was due to the failure of the Property Officer to report all prior year’s issuances of the inventories to the Chief Accountant and the unfinished reconciliation of the Accounting and Property records.

6.5 It is noted however, that all issuances of inventories are now being reported to the Chief Accountant.

PPE Accounts-₱24.6 million

6.6 The yearend balance of the following PPE totalling ₱42,561,619.60 were not reconciled with the RPCPPE balance of ₱17,985,065.10 reflecting a discrepancy of ₱24,576,554.50.

Property, Plant and Equipment	Book Balance	RPCPPE Balance	Discrepancy
Communication equipment	₱ 102,038.00	₱ 65,495.00	(₱36,543.00)
Office equipment	6,783,865.54	1,961,535.90	(4,822,329.64)
Other equipment	10,423,373.38	6,563,331.60	(3,860,041.78)

Property, Plant and Equipment	Book Balance	RPCPPE Balance	Discrepancy
Furniture and Fixtures	18,567,657.68	550,631.16	(18,017,026.52)
Motor Vehicles	6,684,685.00	8,844,071.44	2,159,386.44
Total	₱42,561,619.60	₱17,985,065.10	₱24,576,554.50

6.7 Among others, the discrepancies were due to:

- Disposal of unserviceable equipment and furniture and fixtures totalling ₱5,746,804.00 and donated motor vehicles from the Department of Tourism and PAGCOR totalling ₱2,159,386.44 were not taken up in the books due to the absence of pertinent documents that were not furnished by the Property Officer to the Chief Accountant.
- Correct classification of furniture and fixtures totalling ₱34,255,162.27 already effected by the Chief Accountant under the NGAS but were not made by the Property Officer in his records.

6.8 The audit also noted the following:

- PPE ledger cards of the Accounting Office and PC of the Property Office were not updated;
- AREs were not renewed every three years to determine property accountability.
- Unserviceable properties costing ₱5,120,621.35 were not reclassified to Other Assets.

6.9 Due to these lapses, the balances of these assets under the Property, Plant and Equipment and the Inventory accounts as reported in the financial statements are unreliable and inaccurate.

6.10 We reiterate the following previously recommended measures:

1. **Require the Chief Accountant to make a periodic reconciliation of the balances of the PPE and the Inventory accounts with the property records; Furnish the Property Officer with records of any addition/acquisition or reclassification of the assets and obtain copies of records/reports of disposal/issuances to clear discrepancies pursuant to Section 491 of the GAAM, volume 1.**
2. **Require the Property Officer to update Property Cards for property, plant and equipment and Stock Cards for inventories and reconcile with the Ledger Cards of the Accounting unit, in accordance with Section 43, paragraph 3 and 4 of the Manual on the New Government Accounting System (NGAS), Vol. I.**

3. **Require the Property Officer to renew AREs every three years or every time there is a change of accountability in accordance with Section 56 of the manual of the NGAS.**
4. **Reclassify unserviceable assets to Other Assets account with depreciation no longer provided in consonance with Section 4 (p) Chapter 2 of the NGAS manual.**

Balances of Financial Assistance (FA) not refunded to various Source Agencies:

7. ***The unused balances of financial assistance totaling ₱1,133,974.65 received by NPDC for implementation of projects during the period 1993 to 2011 were not returned to the Source Agencies (SA) upon completion of the projects in violation of Section 4.9 of COA Circular No. 94-013 dated December 13, 1994.***

- 7.1 As of December 31, 2011, the total unused financial assistance which were not returned by NPDC to the Source Agencies amounted to ₱1,133,974.65 as shown below:

Date Granted	Grantor	Purpose	Amount
5/27/96	DOT	Rehabilitation & Restoration of Rizal Park	₱ 691,220.27
4/28/98	DPWH	Landscaping of NCC & NPDC	70,000.39
9/15/05	DOT	Rehabilitation of Comfort Rooms	186,177.70
6/15/07	NHI	Independence Day	43,463.69
8/27/08	NCCA	CATP	3,953.04
10/21/08	IA	Malacañang Park	75.00
3/3/11	NHCP	118 th Martyrdom of Rizal	339.04
3/29/11	DOT	Printing & production of flyers	2,350.00
3/30/11	DOT	Rehabilitation of children's playground	22,788.32
7/5/11	NHCP	Rizal's birthday celebration	10,137.20
8/30/11	DOLE	Housekeeping fee	13,250.00
12/27/11	NHCP	Rizal Day 2011 celebration	90,220.00
Total			₱ 1,133,974.65

- 7.2 The purposes for which this financial assistance was granted were already completed but the Committee did not return to the source agencies the balances pending the approval of their requests to realign the funds for another project.

- 7.3 Section 4.9 of COA Circular No. 94-013 dated December 13, 1994 states that the Implementing Agencies shall return to the Source Agencies any unused balance upon completion of the project.
- 7.4 The cash equivalents of these accounts were deposited in the banks and maintained under the account Cash-in-Bank, Local Currency.
- 7.5 The failure to return the unused balances deprived the Source Agencies from utilizing the amounts for other purposes, and may put at risk the funds to possible misapplication/misappropriation.
- 7.6 **We recommended that management require the Chief Accountant to submit liquidation documents on all financial assistance received and return the balances to the source agencies in accordance with COA Circular No. 94-013 dated December 13, 1994.**

Unsettled Suspensions, Disallowances and Charges – ₱ 4.56 million

8. **The recorded Receivables-Disallowances/Charges in the amount of ₱4,563,127.62 pertains to issued Notices of Disallowances and Charges of prior years up to 2002 which remained unsettled as at year-end. Suspensions totalling ₱3,312,303.21 were issued during the year, documents to comply the same were already submitted to the Audit Team for evaluation.**

GAD Implementation

Review made on the reported accomplishments of the National Parks Development Committee (NPDC) pertaining to Gender and Development (GAD) showed that:

9. **There was no annual GAD plan and budget for implementation and execution pursuant to Executive Order No. 273 as implemented by undated Joint Circular No. 2004-1 of the DBM, National Economic Development Authority, and the National Commission on the Role of Filipino Women from which the accomplishments and funds used could be traced and compared.**
- 9.1 Section 4.1 of Joint Circular No. 2004-1 states that “*Agencies shall formulate their annual GAD plans and budgets within the context of their mandate and overall plans and programs. The annual GAD plan and budget shall be geared towards the achievement of the desired outcomes and goals as identified in the Framework Plan for Women. The Philippine Plan for Gender-Responsive Development (PPGD), the Beijing Platform for Action (BPA) and the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) shall serve as key documents to guide the preparation of the agency annual GAD plan and budget.*”
- 9.2 Section 4.4 of the same circular also provides that “*GAD planning and budgeting shall be observed annually and incorporated in all programming and budgeting exercises of*

agencies. The GAD activities in the GAD plan and budget must be included in the agency budget proposal in accordance with the budget call. Agencies shall ensure that the cost of implementing the GAD activities is part of their approved budget. At least five percent (5%) of the total agency budget appropriations as authorized under the annual General Appropriations Act, shall correspond to activities supporting GAD. Agency heads shall be responsible for ensuring that GAD activities are provided with adequate resources.”

- 9.3 Per verification, the GAD Focal Officer did not prepare the 2011 annual GAD plan and budget, however, the Committee had reported accomplishments of activities related to GAD with corresponding amount spent for each activity as shown below:

Activities	Amount Spent
Introduction of GAD Seminar for Division Chiefs, Supervisors/Area Managers	₱ 30,732.75
Celebration of National Women’s Month	55,128.00
Yogahalakhak	59,320.50
Total	₱145,181.25

- 9.4 These accomplishments, however, could not be used to determine whether the purpose of the GAD was achieved due to the absence of the plan, and the funds used could not be traced to any budget allocation for GAD. It was also noted that the expenses is only 1.3% of the 5% supposed GAD allocation of ₱10,731,453.07 out of the NPDC’s appropriation of ₱214,629,061.43.

- 9.5 **It is recommended that the Executive Director instruct the GAD Focal Officer to formulate their annual GAD Plan and Budget following the guidelines provided by Joint Circular No. 2004-1 and to allocate at least 5% of its budget to ensure that the desired outcomes and goals as identified in the Framework Plan for Women and the goals to institutionalize Gender and Development (GAD) efforts in government by incorporating GAD concerns in their planning, programming and budgeting processes be achieved.**

Implementation of Programs/Projects Related to Senior Citizens and the Differently-Abled

10. **There was no plan and budget to implement Section 32 of the 2011 General Appropriations Act or RA No. 10147 to address the concerns of the senior citizens and the differently-abled persons.**
- 10.1 *Section 32 of RA No. 10147 states that the plans, programs and projects intended to address the concerns of senior citizens and differently-abled persons shall be integrated*

in the regular activities of the agencies, which shall be at least one percent (1%) of their respective budgets.

- 10.2 Verification of the plans and programs of the NPDC showed that it did not include programs and projects and budget intended to address the concerns of the senior citizens and the differently-abled persons, however, there were accomplishments reported under repair and maintenance-other structures related to the implementation of Section 32, RA 10147 as follows:

Project	Amount Spent
Construction of the Ramps for the Differently-Abled Persons and the Senior Citizens from the promenade area to Rizal monument	₱463,731.29

- 10.3 Although the accomplishments reported were related to the concerns of the differently-abled persons and senior citizens, there was no plan and budget to ensure the implementation of the above-regulation. The amount spent was only 21% of the 1% supposed allocation of ₱2,140,487.85 for the purpose.
- 10.4 **It is recommended that the Executive Director instruct the Chief, Planning Division to include in the NPDC's annual plan, plans, programs and projects and budget intended to address the concerns of the differently-abled and the senior citizens to ensure the implementation of Section 32 of RA 10147.**

Compliance with Tax Laws

Taxes withheld not remitted to the BIR – ₱0.829 million

11. **The balance of the Due to BIR account of ₱829,112.36 which included taxes withheld for the period 1997 up to 2009 remained unremitted pending the computation of the penalties for late payments and the funds availability since the cash allocation equivalent to the taxes withheld had already lapsed.**
- 11.1 Department of Finance (DOF) and the Department of Budget and Management (DBM) and COA Joint Circular No. 1-2000 dated January 3, 2000 and Section 81 of the National Internal Revenue Code requires all agencies to withhold taxes from its officers and employees and from private individuals/companies for rendition of services and purchases of goods recorded under account Due to BIR and remit the same to the BIR.
- 11.2 As of December 31, 2011, the total taxes withheld aggregated to ₱12,378,142.53 of which ₱11,549,030.17 was remitted to the BIR, leaving a balance of ₱829,112.36. The unremitted balance included those taxes withheld for the period 1997 up to 2009.

- 11.3 Out of the ₱829,112.36 balance the amount of ₱154,908.42 was already remitted to the BIR and the amount of ₱52,141.81 was refunded to the contractual employees in January 2012.
- 11.4 The remittance of the balance of ₱622,062.13 is held in abeyance pending the computation of the penalties for late payments and the funds availability since the cash allocation equivalent to the taxes withheld had already lapsed.

We reiterated our prior year's recommendation that Management require the Accountant to complete the computation of the penalties for late payments and request for the cash allocation equivalent to the taxes withheld that had lapsed to facilitate the remittance of the same to the BIR pursuant to Department of Finance (DOF) and the Department of Budget and Management (DBM) and COA Joint Circular No. 1-2000 dated January 3, 2000 and Section 81 of the National Internal Revenue Code.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' RECOMMENDATIONS

Out of the 32 prior years' audit recommendations, six were fully implemented, while 19 were partially implemented, of which three were reiterated in this year's report and seven were not implemented.

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>1. The Deed of Assignment of Rights executed by and between NPDC and Philippine Tourism Authority (PTA) pursuant to an NPDC Board Resolution ceding the absolute possession, administration and control in favor of PTA the 42,551 sq. m. portion of Rizal Park, which was subsequently leased to China Oceanis Group Ltd., lack legal basis for it is not within the mandate of the Committee under Executive Order Nos. 30, 120, and 160.</p> <p><i>We recommended the following courses of action to the Committee:</i></p> <p><i>a. consider the rescission of the Deed of Assignment of Rights entered into between and by NPDC and PTA, it being an ultra vires act. In view thereof, and in order not to place the Philippines in bad</i></p>	<p>Page 17-20 of 2008 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>light/image in the eyes of foreign investors, the NPDC and the PTA agree on remedial corrective legal measure to be able to continue honoring the commitments to COPL;</i></p> <p>b. <i>define clearly the parameters of the monetary considerations on the lease of the property of the Committee to avoid confusion;</i></p> <p>c. <i>remit all income earned from the lease of the property to NPDC based on the actual area leased by COPL;</i></p> <p>d. <i>reflect the actual area occupied by COPL in the lease agreement; and</i></p> <p>e. <i>in future undertakings of NPDC ensure that its officials, in entering into any commitments, observe the restrictions and limitations of the Committee's mandate, and always protect its rights to ensure that it will not be exploited by any other government agency and/or private entities.</i></p>		<p>In a meeting with PTA officials with representatives from China Oceanis, it was agreed that another survey be conducted to determine the actual area occupied and to pay additional rent if necessary or to vacate the excess area occupied. PTA officials committed to remit the unpaid consideration for the assignment of rights but the legal issue on the propriety of assigning a portion of Rizal Park to PTA was no longer discussed since the Committee had already signed a resolution approving the assignment.</p>	<p>Partially Implemented</p> <p>A copy of the letter dated April 13, 2010 addressed to PTA pertaining to the remittance of the unpaid consideration for the assignment of rights as discussed in the meeting was furnished to the Audit Team.</p> <p>PTA paid to NPDC the amount of ₱1,454,520.08 in July, 2010, NPDC should still pursue to address the legal issue with PTA otherwise, the rescission of the agreement is in order.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>2. The 1,513.20 square meters located inside the premises of Rizal Park and within the area of jurisdiction of NPDC by virtue of Proclamation No. 273 was leased by the City of Manila to the Embassy of the United States of America. No formal protest to assert its jurisdiction over the property</p>	<p>Page 21-23 of 2008 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>was yet filed by the NPDC.</p> <p><i>We recommended that the Committee undertake the following measures:</i></p> <p>a. <i>to assert its right on the administration over the leased area by filing a formal protest with the City of Manila, citing and showing documents/evidences on the declared metes and bounds of Rizal Park stated under Proclamation No. 273; and</i></p> <p>b. <i>to direct the Business Affairs Division to conduct periodic monitoring on any unauthorized developments/changes introduced by other agencies/private parties/entities within and around the area of Rizal Park and to immediately render reports to the Executive Director relative thereto for immediate and proper action.</i></p>		<p>The Committee is on the process of collating all necessary documents for endorsement to the representatives of the Solicitor General for filing of the formal protest.</p> <p>The Business Affairs Division was abolished when the Rationalization Plan of the Committee was approved by the Department of Budget and Management. Its function is now being absorbed by</p>	<p style="text-align: center;">Not Implemented</p> <p>The Audit Team also furnished the Committee all the available documents obtained from the Manila City Hall.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
		the Administrative Division and the Finance Division with the monitoring assigned to the latter division.	
<p>3. Collection of the ₱7.720 million unpaid rentals from fourteen concessionaires whose businesses were closed one to 15 years ago is remote or nil due to delayed application of legal actions/sanctions against them. Further, the lease contracts of five concessionaires who failed to settle accounts for more than one year with whom NPDC has receivables of ₱2.586 million as at year-end were not terminated/cancelled as stipulated in the lease agreements.</p> <p><i>We recommended to the Committee to strictly implement the provisions of the lease agreements by:</i></p> <p><i>a. charging any unpaid rentals of lessees against their three months advance rentals and deposits;</i></p> <p><i>b. immediately declaring all concessionaires who have not paid their monthly rentals for three</i></p>	Page 23-27 of 2008 AAR		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>consecutive months in default;</i></p> <p><i>c. rescinding lease agreements of lessees in default with an order to vacate the leased spaces;</i></p> <p><i>d. immediately taking legal remedies accorded to the Committee to forestall any move of the concessionaires to close their businesses and abandon their rented spaces without paying unpaid rentals and compel payment of accounts;</i></p> <p><i>e. closely monitoring the payments of concessionaires to ensure compliance with the stipulated period of payment of accounts; and</i></p> <p><i>f. requiring all concessionaires to post performance bond and the payment of advance rentals and deposit equivalent to three months each to ensure the payment of rentals and avoid the loss of government income.</i></p>		<p>The unpaid rentals were net of the advance rentals and deposits.</p> <p>Letters were already sent to Barbara's Food Service and Luneta Park Food Court, declaring them in default and advising them to pay their unpaid rentals within 90 days otherwise their respective lease agreements will be terminated/cancelled.</p> <p>Other delinquent concessionaires turned-over their leased space to the Committee such as the Golden Horizon and the Phil. Ear and Eye Infirmary with unsettled unpaid rentals.</p>	<p>Partially Implemented</p> <p>The Audit Team was furnished a copy of the letter.</p> <p>The Committee was able to collect the amount of ₱1,975,000.00 from Barbara's Food Service and Food Catering after the receipt of the letter, and from Luneta Food Court the amount of ₱916,500.00.</p>
<p>4. Trust Liabilities of ₱13.258 million was not sufficiently covered by Cash-in-Bank, showing cash deficiency of ₱3.903 million which indicates utilization of funds for other purposes.</p>	<p>Page 27-29 of 2008 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>We reiterated to management the prior year's recommendations on the immediate and full accounting of all the funds held in trust and reconciliation of balances between the cash-in-bank and its related liability accounts to determine the cause/s of the deficiency.</i></p> <p><i>We also recommended close and periodic monitoring of all funds held in trust to ensure that these are utilized properly in accordance with the intended purposes and fully accounted for.</i></p> <p><i>We further recommended the liquidation/settlement of all trust funds and/or remittance of the unutilized balance to the grantor/source agencies or entities for terminated and completed projects/undertakings.</i></p>		<p>The Accounting is still on the process of reconciliation by tracing all transactions pertaining to the account since 1998 and the clerk assigned is still on the 2006 transactions. Some of the discrepancies discovered pertained to deposits to the National Treasury without the corresponding debit in the trust liability account.</p>	<p>Partially Implemented</p> <p>The Chief, Finance Division is still conducting an analysis of the transactions presented by the accounting clerk as those causing the discrepancies.</p> <p>This is reiterated in findings no. 5 of this report.</p>
<p>5. The recorded balance of Property, Plant and Equipment (PPE) as at year-end totaling ₱302.187 million was unreliable due to the (a) non-recording of donated artworks/paintings</p>	<p>Page 29-32 of 2008 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>from the Arts Association of the Philippines (AAP) amounting to ₱0.243 million and vehicles from PAGCOR amounting to ₱0.800 million or a total of ₱1.043 million and (b) recording of equipment totaling ₱0.692 million as Other Payables or trust liabilities thus understating the PPE and the Government Equity accounts by a total of ₱1.743 million. Moreover, there was difference of ₱25.160 million between the balance per books and the results of physical count per audit of three PPE accounts. No Physical Inventory Reports by management were submitted.</p> <p><i>We recommended to the Management to (a) require the Property Officer to furnish the Chief Accountant and all offices concerned with the pertinent documents for information and record purposes to ensure that all donations and procured equipment are duly accounted for in the Accounting records; (b) require the Accountant to complete the listing of PPE-Buildings, Other Structures, and Land Improvements and have their whereabouts</i></p>			

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>located to ensure the accuracy of the financial statements; and (c) cause the immediate completion of the inventory report duly reconciled with the books of accounts. Henceforth, the annual inventory-taking be adequately planned and executed at the earliest time possible to ensure the completion and submission of the report on due date.</i></p>		<p>The Accountant had already recorded the donated paintings totaling ₱679,000.00 under JEV #1538-A dated Dec. 31, 2009 and the donated motor vehicles amounting to ₱1,045,000.00 under JEV #1539-A dated December 31, 2009.</p> <p>The conduct of the physical inventory was already completed but the reconciliation of the property and the accounting records is still on-going because of manpower constraint due to the avilment of almost 50% of the employees of the rationalization program of the government.</p>	<p>Partially Implemented</p> <p>JEV no. 1538-A and 1539-A all dated Dec. 31,2009 were already verified by the Audit Team.</p> <p>The reconciliation of the property and accounting records of the PPE account is reiterated in finding no. 6 of this report.</p>
<p>6. The cash advances of the Cashier which ranged from ₱0.003 million to ₱2.08</p>	<p>Page 32-33 of 2008</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>million were not liquidated on time. Further, additional cash advances were granted without requiring the settlement or liquidation of the previous cash advances which ranged from ₱0.004 million to ₱2.18 million, contrary to COA Circular No. 97-002.</p> <p><i>We recommended and Management agreed to require the accountable officer to immediately liquidate/settle his outstanding cash advances.</i></p> <p><i>We also recommended the close monitoring of the settlement of cash advances and strict compliance with the provision of COA Circular No. 97-002 in the grant and liquidation/settlement of accountabilities.</i></p>	<p>AAR</p>	<p>The accountable officer is no longer allowed to draw cash advance without the liquidation of the previous cash advance granted.</p>	<p>Fully Implemented</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>7. A disparity of ₱0.810 million was noted between the General Ledger and the Subsidiary Ledger Balance of the account Cash-in-Bank-LCCA, the cause/s thereof could not yet be determined thus rendering the balance of the account doubtful as at year-end.</p> <p><i>a. We recommended to Management to instruct the Accountant to fast track the reconciliation of the GL and SL balances of the cash in bank account to establish its correct balances.</i></p>	<p>Page 33-34 of 2008 AAR</p>	<p>The reconciliation is still on process since transactions pertaining to the account are being traced since 1998 and it is completed so far up to 2002.</p>	<p>Partially Implemented</p> <p>The analysis of the documents pertaining to the transactions of the account is still on-going.</p> <p>This is reiterated in finding no. 5 of this report.</p>
<p>8. Activities reported as accomplishments for GAD with total expenses of ₱0.30 million were not gender issues and concerns required by Executive Order No. 273.</p>	<p>Page 34-35 of 2008 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>Moreover, the Committee did not allot 5% of its appropriations for GAD activities contrary to Sec. 31 of RA No. 9498, the General Appropriations Act for FY 2008.</p> <p><i>We recommended and Management agreed that the Committee allocate 5% of its total appropriations for GAD implementation and the GAD Focal Officer shall prepare the mandated annual GAD Plan in accordance with the guidelines of E.O. No. 273 and Joint Circular No. 2004-1 and to forward the same to NCRFW for review and for endorsement to the DBM for budget approval, to ensure that all planned and implemented projects and activities are GAD-related.</i></p>		<p>There is still no fund allocation being made for GAD, since the Administrative Officer who was assigned also as the GAD Focal Officer was busy in the implementation of the approved rationalization plan.</p>	<p>Not Implemented</p> <p>The GAD Focal Officer prepared its 2009 GAD plan but it was not executed or implemented.</p>
<p>9. Discrepancy of ₱3.14 million on balances of Office Supplies Inventories and Other Inventory Items between the accounting and property records remained unreconciled and was attributed mainly due to direct issuance to the end-users without tracking the receipt and issuance through</p>	<p>Page 20-21 of 2007 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>supplies ledger cards, non-preparation of the monthly report of issuances of supplies and materials and the non-conduct of the required reconciliation of the records of the two office.</p> <p><i>We recommended that the Property Officer be directed to record all purchases of supplies and other inventories in the supplies ledger cards and render a monthly report for the issuances required under Section 4, (c), NGAS Manual Volume 1, furnishing the Accounting Office as basis for recording issuances in the books of accounts.</i></p> <p><i>We also recommended that the Chief Accountant and the Property Officer reconcile their respective records for office supplies and other inventory items to establish the correct balances as of year-end, to account for the discrepancy noted and hold the persons accountable for any unaccounted items.</i></p> <p><i>We further recommended that the Management henceforth,</i></p>		<p>The reconciliation is still on-going since it involved purchases from CYs 2001 to 2007. However, current purchases for supplies and other inventory items are now recorded in the supplies ledger cards and issuance thereof are reported monthly to avoid discrepancy of records.</p>	<p style="text-align: center;">Partially Implemented</p> <p>Reconciliation not yet completed due to manpower constraints.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>require a regular reconciliation as a control mechanism to ensure that the balances shown in their respective accounts/records are correct, and to provide accurate information for monitoring of accountability for supplies.</i></p>			
<p>10. Other Assets included investment in stocks/securities of service enterprises amounting to ₱0.34 million which should have been classified as Other Long-Term Investments as prescribed by the NGAS chart of accounts.</p> <p><i>We recommended that the Chief Accountant (a) draw a Journal Entry Voucher to reclassify the balance of the ₱343,720.00 from Other Assets to Other Long-Term Investment, locate the documents pertaining to these investment and recommended to the Executive Director , for the filing of claim for any interests/dividends due; and (b) gather documents/data relative to the prepayments and miscellaneous assets and deferred charges to ascertain their nature and other details of the account to determine the proper account/s for the</i></p>	<p>Page 21-22 of 2007 AAR</p>	<p>The Chief Accountant had reclassified the balance of ₱343,720.00 to the Investments account under JEV no.09-01-057 dated January 31, 2009</p>	<p>Partially Implemented</p> <p>Documents are now collated in preparation for the filing of the claim for any interests/dividends.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<i>reclassification.</i>			
<p>11.The accuracy and validity of the balances of three dormant receivable accounts totaling ₱3.22 million as at year-end could not be ascertained as these were not supported with documentation as basis for enforcing liquidation or collection pursuant to COA Circular no.97-001</p> <p><i>We recommended and management agreed that the Accountant trace these transactions to the source documents, and accordingly send demand letters to the concerned agencies and personnel for the immediate liquidation/collection of the amount due from them.</i></p>	Page 22-23 of 2007 AAR	The accounts were dormant since 1989, thus the Accounting Section had difficulty tracing the source documents.	<p style="text-align: center;">Partially Implemented</p> <p>The Accounting Section is still on the process of tracing pertinent documents.</p> <p>Reiterated in finding no. 8 of this report.</p>
12. One Lease Contract Grossly Disadvantageous to	Page 23-27 of 2007		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>the NPDC/Government and One with Sub-Lease beyond the Authority.</p> <p>a. The terms and conditions in the MOA (lease contract) with Luneta Seafarer's Welfare Foundation, Inc. were found grossly disadvantageous to the interest of the NPDC/government as the NPDC earned rentals of only ₱250,000 from the lease contract, representing 2.5% of the ₱9.24 million reported earnings of the Foundation for CY 2007 from its sub-leasing of the rented NPDC property. For the accrued rentals totaling ₱0.41 million for the period December 2006 (start of lease) to December 2007, the NPDC failed to serve billing statement to the Foundation and the latter had not made any effort to pay the rentals and penalties due despite the clear MOA provision on payment of rentals.</p> <p>b. Meanwhile, the National Historic Institute, a national government agency and a lessee of NPDC property, acted beyond the authority granted under the MOA by sub-leasing a proportion of its leased premises instead of only its facility as agreed with the NPDC.</p>	AAR		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>We recommended and management agreed to conduct an immediate review of the terms and conditions of the MOA/lease contract in the light of the audit observations, and undertaken the following: (a) cause the necessary revision of the terms and conditions of the lease contract/MOA to make them fair, reasonable and beneficial to both parties; (b) cause the immediate collection of all the accrued rentals and penalties from the Foundation and take immediate appropriate action for non-payment; and (c) take appropriate action against the official responsible for entering into such agreement/contract grossly advantageous to the Government.</i></p> <p><i>As regards the 25-year lease agreement with the NHI, we recommended that the committee (a) immediately reexamine the same in the light of the 25-year sub-lease of the former with the PNB having the option to renew for another 25 years which has found non-confirming to the agreement as this was beyond</i></p>		<p>The Luneta Seafarers Welfare Foundation, Inc. stated in its letter dated Feb. 12, 2009 that they will pay an increased annual rental of ₱2,400,000.00 starting Jan. 2009.</p>	<p>Fully Implemented</p> <p>The amended lease agreement was already signed by NPDC incorporating the increased rental of ₱200,000.00 and they started paying the new</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>the period of lease granted to the NHI; and (b) take appropriate action address the lapses or deficiencies noted.</i></p>		<p>Management had already signed an amended lease agreement with the Luneta Seafarers' Welfare Foundation.</p> <p>Management had already made initial meetings with the NHI officials.</p>	<p>rate effective January, 2009.</p>
<p>13. Lack of concrete action to compel concessionaires to strictly comply with the stipulation in the lease contracts encouraged and prompted three lessees to deviate from the agreed/intended purpose(s) of the leased premises and non-payment of financial assistance.</p>	<p>Page 28-29 of 2007 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>We recommended that the Committee undertake the following: (a) enforce all remedies that were stipulated in the contracts in case of deviation; and (b) Designate a responsible personnel to strictly monitor compliance with the terms and conditions of the lease agreement by the concessionaires and to prepare a report thereon on a periodic basis, as well as to recommend appropriate action/measures to the Office of the Direction for any noted violations for immediate action.</i></p>		<p>The lessees were already informed on the audit observation. The Head, Business Affairs Division was designated to monitor lessees' compliance with the terms and conditions of the lease agreements.</p>	<p>Fully Implemented</p> <p>The Audit Team was furnished of the monitoring and inspection report.</p>
<p>14. Of the ₱8.35 million Receivables, the amount of ₱3.04 million had been outstanding for more than three years and 90% of outstanding receivables or ₱7.55 million pertained to the unpaid rentals from 16 concessionaires whose businesses/operations were already closed. The accumulation of huge receivables was due to inadequate and effective collection measures.</p> <p><i>We recommended that the Executive Director and the Business Affairs Division (BAD</i></p>	<p>Page 29-33 of 2007 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>(a) review the cases of the above-cited lessees to determine the appropriate action that the Committee has to undertake to collect the unpaid rentals, in close coordination with the Officer of the Solicitor General (OSG); and (b) apply all possible measures as authorized by laws and lease agreements to collect the unpaid rentals.</i></p> <p><i>We also recommended that to prevent further accumulation of unpaid rentals, the Executive Director direct the:</i></p> <p><i>a. Accounting Section to include in the bill of delinquent lessees the amount of penalties to be imposed for late payment of rentals as stated in their lease contracts;</i></p> <p><i>b. Chief, Finance Division to submit a report to the Office of the Executive Director on lessees whose arrearages exceeded the amount of deposits and advances so that appropriate action can be immediately taken;</i></p> <p><i>c. Business Affairs Division (BAD) to closely monitor compliance of the lessees with the agreed terms of payment through proper coordination with the Accounting Section and to render a timely report</i></p>		<p>Penalties/interest were already included in the demand letters on concessionaires whose lease agreements provided for the payment of these penalties/interests.</p> <p>Advance rentals/deposits were deducted from the unpaid rentals.</p> <p>The BAD submitted to the Executive Director reports of concessionaires who are delinquent in their rental payments, and those who committed violations on the terms and conditions of their lease agreements.</p> <p>The BAD already submitted to OSG documents pertaining to concessionaires who were delinquent for the filing of appropriate action and are</p>	<p>Fully Implemented</p> <p>The Audit Team was furnished with a copy of the Report on the Status of Cases Filed.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>for any violations together with the appropriate recommendations;</i></p> <p><i>d. BAD to submit to the representatives of the Office of the Solicitor General records/documents of all concessionaire who are delinquent in payment of monthly rentals for more than three months for the filing of appropriate legal action to protect the interest of the government;</i></p> <p><i>e. BAD to closely coordinate with the OSG representatives to ensure that cases are filed against delinquent concessionaires on opportune time to enforce collection of receivables and apprise the Office of the Executive Director on the action taken and/or status of any cases filed; and</i></p> <p><i>f. Head of Security to ensure that any pull-out of equipment or other valuables by concessionaires from their establishment be covered by a clearance from the Finance and Accounting Division and the business Affairs Division;</i></p>		<p>closely coordinating with its representative to monitor the status of the cases filed.</p> <p>The Head of the Security was already instructed not to allow any concessionaire to pull-out their equipment without prior clearance from the Finance and Accounting Division and the Business Affairs Division.</p>	<p>A clearance is already required before concessionaires are allowed to pull-out their equipment.</p>
<p>15. Occupancy from March 1991 to date of a 407 sq.m. Space in Rizal Park by Halika Foundation, after the expiration of its three-year lease contract was not covered by renewed contracts, and its rentals since March, 1991 to February 2004 totaling ₱659,276.25 had not</p>	<p>Page 33-35 of 2007 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>been collected. Likewise, its occupancy of reduced space of 71.68 sq.m. from March, 2004 to date was not covered by a renewed contract and there were no bills served to collect rentals for the period were served to the Halika Foundation due to humanitarian consideration.</p> <p><i>We recommended that the Executive Director direct the Business Affairs Division to cause the preparation and execution of a new lease agreement on the reduced occupied space to be terminated upon the completion of the construction of the Luneta Food Court.</i></p> <p><i>For humanitarian consideration, we recommended that the Committee consider reducing the rental rates of the Foundation relative to its capacity to pay based on its monthly income.</i></p>		<p>The Pinoy May K Foundation had vacated the occupied space without the knowledge of the Committee.</p> <p>Pinoy May K was already disbanded, thus, management is still locating the whereabouts/ address of its officers in order to file the collection case against them for the unpaid rentals.</p>	<p>Not Implemented</p> <p>The structure previously occupied was already removed.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>16.The NPDC was not indemnified/compensated by China Oceanis Philippines, Inc. (COPI), an entity authorized by the Philippine Tourism Authority to develop the Boardwalk into an ocean park, for the use of the 8,525 square meters of NPDC parking areas for the construction works of the former. This resulted in the reduction of income from parking fees by ₱0.16 million covering the period from October to December of 2007. Further, the use of the 13,811 square meters of the Park by the developer since August and September 2006 was not covered by any contract.</p> <p><i>We recommended and management agreed to:</i></p> <p><i>c. Direct the Business Affairs Division to determine the total area occupied/disturbed by China Oceanis Phil. Inc. as basis for the stipulation in the contract for the amount be paid by the developer;</i></p> <p><i>d. Require the immediate execution of a lease contract or its equivalent with China Oceanis Phil. Inc. for the total occupied area at the Luneta Park. The contract be executed</i></p>	<p>Page 35-37 of 2007 AAR</p>	<p>An assignment of rights was executed between</p>	<p>Fully Implemented</p> <p>The Audit Team was furnished with a copy</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>before the opening of the ocean park;</i></p> <p>e. <i>Work out for more/better concession terms with the developer to maximize the benefits that can be gained/derived from the agreement;</i></p> <p>f. <i>See to it that the terms and conditions thereof would ensure that the interest of the Government is well protected;</i></p> <p>g. <i>Direct the Chief of the Business Affairs Division to:</i></p> <ul style="list-style-type: none"> • <i>Serve the corresponding bill to China Oceanis Phil. Inc. for the deficiency in the lease rentals and thereafter, for the total amount to be paid based on the total occupied/disturbed areas; and</i> • <i>Closely monitoring the premises of the Rizal Park to check whether there are any disturbances/works made within the parks and its immediate premises without the consent of the NPDC or not covered by any appropriate contract and to render a report thereon for appropriate</i> 		<p>NPDC and PTA and a contract of lease was executed between China Oceanis and PTA pertaining to the space occupied.</p> <p>The Executive Director had directed the Head of the Security Office, to make reports on any unusual occurrence inside Rizal Park and report the same to the Business Affairs Division.</p>	<p>of the assignment of rights.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<i>action of the Office of the Executive Director.</i>			
<p>17. The activities included in the GAD Plan of the Committee were not in aligned/ responsive with those required under the Gender-Responsive Development Plan for CY 1995-2005. Further, although no funds were allotted for GAD, the ₱0.30 million expenses incurred as well as the activities for the holding of Family Day of employees of NPDC and other activities not related thereto where reported as accomplishment for GAD. Moreover, no GAD Focal Point Officer was assigned to prepare the GAD Plan as well as to spearhead the implementation and monitoring of said activities as required.</p> <p><i>We recommended and management agreed to prepare the GAD Plan within the framework of the Gender-responsive Development Plan for 1995-2005 and to Focus on (a) provision of equity conditions and opportunities for employment and livelihood; (b) greater involvement for women empowerment; (c) activities</i></p>	Page 37-39 of 2007 AAR		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>that tend to address gender issues and concerns of their clients; and (d) capability building activities for their employees.</i></p> <p><i>We further recommended that a GAD Focal Point Officer be assigned/ designated to prepare and spearhead the implementation and monitoring of the GAD Plan and activities.</i></p>		<p>The GAD Plan prepared was not submitted to the National Council Role of Filipino Women (NCRFW) for review as required by Joint Circular No. 2004-1 of the DBM and NEDA that provides the guidelines for the preparation of the plan and the corresponding budget.</p> <p>A GAD Focal Officer was already designated but the GAD Plan prepared still not in accordance with the guidelines under Joint Circular No. 2004-1 of the DBM and NEDA.</p>	<p>Not Implemented</p> <p>The GAD Plan was prepared and approved by the Executive Director but it was not submitted to NCRFW for approval.</p> <p>The Focal Officer refused to submit the GAD plan to NCRFW for approval.</p>
<p>18. No written policies and guidelines particularly on the rates per square meter, the permissible duration of the lease and the nature of business allowed within the park premises were issued for the lease of NPDC park spaces, resulting in the operation of commercial establishment within the premises of the park whose line/type of business was not related nor incidental to the operational mandate of the NPDC. Further the lack of said guidelines also caused the</p>	<p>Page 18 of 2006 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>significant gaps in the rental rates and duration of the contracts of lease.</p> <p><i>We recommended that the Committee draft/proposed written policies and guidelines for the lease of its park spaces and submission thereof to the Executive Committee for approval. The guidelines to be formulated should include:</i></p> <ul style="list-style-type: none"> • <i>The nature of business that can be allowed to operate within the premises of the Park with prime consideration on the purpose of the creation/operation of the Park;</i> • <i>The minimum and maximum period of duration of the lease contract; and</i> • <i>The floor of the rental rates for leased premises taking into account the location of the property as basis in evaluating the bids for the use of Park's property.</i> 		<p>This cannot yet be implemented due to manpower constraints and the pending rationalization program.</p>	<p style="text-align: center;">Not Implemented</p> <p>The Committee has no available personnel to draft written policies and guidelines for the lease of its park spaces.</p>
<p>19. From CY 1996 to June 2006, the total park rentals paid by PAGCOR is deficient by</p>	<p>Page 21 of 2006 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>₱17.23 million due to the extension of area occupied from 8,881 square meters to 13,145 square meters or 4,264 square meters more than the contracted leased premises. Moreover, PAGCOR utilized the leased premises as a dumping ground of their garbage which is not in consonance with the terms and conditions of the contract on the proper maintenance of the occupied area.</p> <p><i>We recommended that the Business Affairs Division be directed to:</i></p> <p><i>a. Serve a supplemental bill to PAGCOR for the rental deficiency totaling ₱17,231,719.44;</i></p> <p><i>b. Require PAGCOR to strictly comply with the terms and conditions of the lease agreement on the limitation on the area occupied and proper maintenance of the leased premises;</i></p> <p><i>c. Require the inclusion in the renewal of lease contract, the imposition of penalty/sanction for non-compliance with the terms and conditions stated in the contract; and</i></p>		<p>The Committee had already served a supplemental bill to PAGCOR but still no payments received.</p> <p>PAGCOR wrote a letter to</p>	<p>Partially Implemented</p> <p>The Audit Team wrote a letter to NPDC to interpret the lease agreement based on the no. of sq. m. occupied and not on</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>d. <i>Work out for the grant of more assistance to the Committee for its operational projects.</i></p>		<p>NPDC denying the claim for rental deficiency on the ground that the lease agreement was based on the location identified to be leased rather than the number of square meters occupied. The letter was forwarded to the Office of the Solicitor General who opined that PAGCOR was right in denying the claim.</p>	<p>the identified location.</p>
<p>20. The Committee had not imposed the sanctions provided in the contract of lease against Luneta Food Court. Inc. (LFCI), a lessee of a parcel of land at the Rizal Park, for its failure to satisfactory complete the work within the construction period as provided in the lease contract. The NPDC was deprived of rental income as a result of the delay in the construction and use of the complex due to the fault of the lessee.</p> <p><i>We recommended that the Business Affairs Division (BAD) be directed to:</i></p> <p>a. <i>Evaluate the case of the LFCI to determine the need to declare the lessee in default as basis for the cancellation of its contract;</i></p>	<p>Page 24 of 2006 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>b. <i>Render an explanation on the failure to require the lessee the payment of deposit and advance rentals and non-forfeiture of the performance bond; and</i></p> <p>c. <i>Collect from the lessee the amount due representing unpaid rentals.</i></p> <p><i>We recommended that henceforth, contract and execution of sanctions against the lease include provision for imposition lessees to protect the interest of the government.</i></p>		<p>The request of LCFI to the Executive Director that they shall not be declared in default for the non-completion of their building was granted since its non-completion was due to the order of the City Mayor of Manila to stop the construction and not their fault.</p> <p>LCFI paid 3 months deposit and 3 months advance rentals and paid 2 months unpaid rentals after a letter was sent that termination/cancellation of the agreement shall be made if payment not made within 90 days.</p>	<p>Partially Implemented</p> <p>There is still an unpaid rentals totaling ₱1,680,250.00.</p>
<p>21. The lease contracts of three concessionaires with total unpaid lease rentals of ₱2.60 million, of which ₱1.30 million were already past due for more than a year, were not yet terminated nor cancelled by the Committee as stipulated in the agreements. This deprives the government of the opportunity income</p>	<p>Page 25 of 2006 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>that could have been earned/collected from other interested lessees and gave the defaulting concessionaires undue advantage in earning revenues in the use of the park space at no rental cost to them.</p> <p><i>We recommended that the Business Affairs Division be directed to give ultimatum to the concerned lessees on the payment of the total amount due from them with a time frame within which to settle their outstanding accounts.</i></p> <p><i>Otherwise, terminate/cancel the lease contracts of the concessionaires together with an advice to vacate the leased premises as stipulated in the lease contract. Consider also the filing of civil case against these lessees to enforce the collection of unpaid rentals.</i></p>		<p>The necessary documents for filing of appropriate legal action against the lessees were already turned-over to the representative of the Office of the Solicitor General (OSG).</p> <p>Cases were already filed by the representative of the Solicitor General against the concerned concessionaires.</p>	<p style="text-align: center;">Partially Implemented</p> <p>Cancellation of the lease contracts was not resorted to by management since the concessionaires abandoned their leased space without prior notice to the Committee.</p> <p>The Audit Team was furnished with the status report on cases filed with the OSG but there is still no favorable decision</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
			obtained.
<p>22. The Clean & Green Foundation, Inc., the operator of a Pavilion at the Rizal Park, failed to comply with the provisions of the Memorandum of Agreement, namely execution of deed of donation for the existing structures within the occupied property, conduct of inventory of Rizal Park and Paco Park, all in exchange for rental-free park space. Further, the Foundation allowed Barbara's Restaurant, another entity, to operate a business inside its occupied premises without the prior consent of the Committee and no action/sanction was taken against the lessee.</p> <p><i>We recommended that the Executive Director, through the Business Affairs Division:</i></p> <p><i>a. Compel the Foundation to comply strictly with its agreed obligations;</i></p> <p><i>b. Require the Foundation to render an explanation on the sharing of the use of the occupied premises to Barbara's Restaurant without prior consent from the Committee before allowing Barbara's Restaurant;</i></p>	Page 26 of 2006 AAR		Not Implemented

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>c. <i>Otherwise, terminate the contract for failure of the lessee to fulfill its obligations and for breach of contract as stated in the Memorandum of Agreement; and</i></p> <p>d. <i>Monitor closely the performance/ compliance of the Foundation with the terms and conditions of the agreement.</i></p>		<p>The Foundation had terminated its MOA and vacated the rented space.</p>	<p>Barbara's Restaurant had already entered a lease agreement directly with NPDC effective October 2008.</p>
<p>23. The reported cash deficiency in 2005 to cover the funds/collections held in trust by the Committee either for remittance tot the agencies concerned or for safekeeping until their purposes remained unaccounted as at year-end.</p> <p>The deficiency, and indication of the utilization of these funds for purposes other than those for which these were received, slightly decreased from ₱2.56 million in 2005 to ₱2.30 million in 2006.</p> <p><i>We recommended that the Management fast track the reconciliation of the accounts maintained for funds held in trust, and immediately and fully account for all funds held in trust. It should be emphasized that these trust</i></p>	<p>Page 28 of 2006 AAR</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>funds have officially come into the possession of the agency as trustee, agent or administrator and therefore available only for the specific purpose for which these funds are received.</i></p>		<p>The reconciliation is completed up to 1998 and is still on-going.</p>	<p>Partially Implemented</p> <p>Analysis is still on-going on various transactions pertaining to the account.</p>
<p>24. The causes of the disparity noted in 2005 for the balance of account "Cash-in-Bank-Local Currency, Combo Account" between the General Ledger and the Subsidiary remained undetermined as at year-end although registering a decrease from ₱1.28 million in 2005 to ₱.81 million as at year-end. The balance per bank records was however reconciled with the balance per subsidiary ledger at ₱7.22 million.</p> <p><i>We recommended that the Accountant be instructed to fast track the reconciliation of the balances of the cash in bank account reflected in the subsidiary which was reconciled with the balance per bank records, and in the general ledger, to immediately ascertain the correct balance for proper monitoring of the</i></p>	<p>Page 29 of 2006 AAR</p>		<p>Partially Implemented</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>NPDC's accountable officers over cash in bank balances, especially that the bank balances was higher by ₱0.80 million than the recorded amount.</i></p>		<p>Continuous reconciliation is being conducted and documents were retrieved and verified since 1989 to determine the causes of the discrepancy.</p>	<p>Initial result of the reconciliation showed that the disparity started in 1997, thus, analysis on the transactions pertaining to the account was made.</p>
<p>25. A discrepancy of ₱11.27 million in the balances of Property, Plant and Equipment accounts existed between the accounting and the property records mainly due to lack of close coordination between the Property Officer and the Accountant.</p> <p><i>We recommended that the Accountant and the Property Officer be directed to reconcile their records for PPE accounts to determine the correct amount of the balances of the accounts. The Property Officer should furnish the Accountant with (a) a list of all fabricated and reclassified furniture and fixtures (b) complete schedule of recorded motor vehicles, while the Accountant should inform the Property Officer on any changes in the classification of the accounts for adjustment/updating of</i></p>	<p>Page 31 of 2006 AAR</p>	<p>The Accountant and the Property Officer are now in the process of reclassifying the PPE to reconcile both records.</p>	<p style="text-align: center;">Partially Implemented</p> <p>Physical inventory report of motor vehicles and other PPEs was already submitted but reconciliation of all PPE accounts is still on-going.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<i>the property records.</i>			
<p>26. The non-reporting of certain supplies directly issued to the end-users by the Property Officer in its monthly report of issuances of supplies and materials and the failure to conduct periodic reconciliation between the accounting and property records caused the accumulation of a discrepancy at ₱4.04 million on the balances of Office and Other Supplies Inventories between these two records.</p> <p><i>We recommended that the Property Officer be directed to record all supplies in the supplies ledger cards prior to issuance to end-users, to include these items in the monthly report of issuances of supplies and materials and submit the same to the Accounting Office on a monthly basis for the latter's recording in the books of accounts. We also recommended that the Chief Accountant and the Property Officer be instructed to reconcile their respective balances of the accounts and thereafter, compare their records periodically to ensure accurate balances shown in their respective records.</i></p>	Page 32 of 2006 AAR	<p>The Property Officer had completed the recording of all unrecorded supplies for the years 2004 to 2006.</p> <p>Reconciliation, however, was stopped due to manpower constraints caused by the availment of the Property Officer of the approved Rationalization Plan.</p>	<p style="text-align: center;">Partially Implemented</p> <p>The Property Officer retired under the approved Rationalization plan, thus, the recording and reconciliation was stopped.</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>27. Rentals of ₱3.24 million from tenants/concessionaires with ceased operations were not collected/remained outstanding as of year-end due to deficient billing and collection system.</p> <p>Moreover, concessionaires whose contracts already expired and with arrearages were still allowed to continue to benefit from the facilities of the Committee on a month-to-month implied lease contract. The unpaid rentals were allowed to accumulate without pursuing any action against the delinquent tenants/concessionaires, thus there is high risk that these may not be collected.</p> <p><i>We recommended that Management undertake the following:</i></p> <p><i>a. Serve bills or demand letters to the concessionaires whose accounts are not paid on due date;</i></p> <p><i>b. Cause the amendment to the existing lease contracts</i></p>	<p>2005 AAR AOM No. 2006-01</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p><i>with concessionaires to include a stipulation on the imposition of penalty for late payment of the monthly rentals;</i></p> <p><i>c. Execute supplemental/new lease agreements with concessionaires with expired contracts but still continue to use the facilities of the Committee on a month to month implied lease contract, the period of which should be reckoned from the date of expiration of the latest formal lease contract to protect the interest of the government; and</i></p> <p><i>d. Pursue cases against delinquent concessionaires and those with outstanding accounts for the recovery of the amount due from them.</i></p>		<p>The issuance of bills to lessees every last week of the preceding month is now being undertaken.</p> <p>NPDC has engaged the services of an OSG Lawyer to undertake legal proceeding.</p> <p>Cases were filed against the delinquent concessionaires.</p> <p>The recommendation is being considered on new contracts of lease entered by the Committee or those contracts for renewal.</p>	<p>Fully Implemented</p> <p>Initial meetings with concessionaires were conducted to discuss on the amendments of lease agreements with stipulation on the imposition of penalty for late payment.</p> <p>It was agreed to include the imposition of penalty for late payment on renewed/new contract of lease agreement.</p>
<p>28. The amounts billed and collected from the concessionaires from contract date to 31 December, 2005 was deficient by ₱7.03 million because of the non-</p>	<p>2005 AAR AOM No. 2006-02</p>		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>monitoring of compliance of the lessees with the stipulations set forth in the lease contracts on the utilization of leased areas, resulting in the understatement of reported receivable and income in the books of the National Government as at year-end.</p> <p><i>We recommended that the NPDC undertake the following courses of action:</i></p> <p><i>a. Immediately issue supplemental bills for the deficiency noted in the amount due from the concerned concessionaires;</i></p> <p><i>b. Cause the amendment of the lease contracts to reflect the actual area occupied by tenants;</i></p> <p><i>c. Conduct inspection on a periodic basis of rented facilities to ensure strict compliance with the restrictions set forth in the lease contract specifically on the area occupied by the lessees; and</i></p> <p><i>d. Impose sanctions on any violations on the provisions of the lease contract.</i></p>		<p>Supplemental bills were already served. Meetings were conducted to amend the lease contracts of the concerned concessionaires.</p>	<p>Not Implemented</p> <p>The concerned concessionaires did not pay the rental deficiency, they opted to vacate the excess area occupied.</p> <p>As of December 31, 2009, Selda Skates, Enchanting Seaview had closed their</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
			business operations. Likewise, Gold Coast restaurant had closed shop effective April 30, 2010.
<p>29. A lessee of the NPDC property, Cindy's Hamburger, Inc. (CHI), which subleases the premises to the Wenphil Corporation at ₱0.10 million earned almost double the rental paid to the NPDC at ₱0.55 million, thus, the lessee benefiting more than what the NPDC should get from the lease contract with the CHI.</p> <p><i>We recommended that the NPDC reevaluate the monthly rental being paid by the CHI in the light of the circumstances to protect the interest of the government.</i></p>	2005 AAR, AOM No. 2006-03	<p>The NPDC had reevaluated the monthly rental being paid by Cindy's and advise the latter of the rate. Cindy's insisted on the provisions of the lease agreement, thus the Committee indorsed the matter to the representative of the Office of the Solicitor General for appropriate legal action.</p>	<p style="text-align: center;">Partially Implemented</p> <p>As a result of the meeting conducted with Cindy's, it was agreed that the latter shall vacate a portion of the leased area and turn it over to the committee.</p>
30. The unexpended balance of ₱3.37 million from completed projects funded	2005 AAR, AOM No.		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>out of the financial assistance received from various government agencies recorded under account "Due to NGAS" were not remitted to the Bureau of Treasury as required under Executive Order No. 338 and implemented by DOF-DBM-COA Joint Circular No. 1-97.</p> <p><i>We recommended that the Accountant be directed to remit immediately to the National Treasury the unutilized balance of the assistance in accordance with item 3.1 of DOF-DBM-COA Joint Circular No. 1-97. We also recommended that henceforth, all concerned officials of the NPDC be required to strictly comply with the requirement of the above-stated law and regulation.</i></p>	2006-04	<p>The Committee had returned the amount ₱261,774.19 unexpended balance to DPWH under JEV no. (184)-2009-11-1371 and remitted to the National Treasury the amount of ₱551,179.62 under JEV no. (184)-2009-11-1372.</p>	<p style="text-align: center;">Partially Implemented</p> <p>The Audit Team had verified JEV no. (184)-2009-11-1371 and JEV no. (184)-2009-11-1372.</p>
<p>31. Taxes withheld from officers and employees of the NPDC and private individuals/companies for services rendered and purchases of goods recorded under account "Due to BIR" amounting to ₱0.92 million were not remitted to the Bureau of Internal Revenue as required under DOF-DBM-COA Joint</p>	2005 AAR AOM No. 2006-08		

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<p>Circular No. 1-2000 and Section 81 of the National Internal Revenue Code.</p> <p><i>We recommended that the Accountant be directed to strictly comply with the requirements on the remittance of all taxes withheld and collected for the account of the BIR within 25 days from the close of each calendar quarter pursuant to the above-cited regulation/law</i></p>		<p>The Committee had refunded to employees the excess taxes withheld. The analysis of the unremitted balance had been completed but the remittance shall be made upon the availability of funds.</p>	<p>Partially Implemented</p> <p>The reconciliation of the unremitted balance was presented, but it is observed that there were over remittance made as against the taxes withheld, hence it is advised that a further reconciliation be made.</p>
<p>32. As at year-end, the previous year's unremitted collections totaling ₱0.10 million remained unremitted to the National Treasury, as required under COA-DOF-DBM Joint Circular No. 1-97.</p> <p><i>We recommended the immediate remittance of all collections due to the National Treasury after ascertaining the accuracy and completeness</i></p>	<p>2005 AAR, AOM No. 2006-10</p>		<p>Partially</p>

Observations and Recommendations	Ref.	Action Taken By Management	Auditor's Validation
<i>thereof.</i>		The remittance of the balance of ₱22,756.87 shall be made as soon as the details is ascertained.	Implemented Determining the details of the balance is still on-going.