



**Republic of the Philippines  
COMMISSION ON AUDIT  
Commonwealth Avenue, Quezon City**

**ANNUAL AUDIT REPORT**

on the

**SUPREME COURT OF THE  
PHILIPPINES**

For the Year Ended December 31, 2010

## EXECUTIVE SUMMARY

### A. *Introduction*

Article VII of the 1987 Constitution vested judicial power in one Supreme Court and in such lower courts as may be established by law. The Supreme Court is the highest tribunal in the country's four tiered court system. It supervises the administration of all lower courts such as the Court of Appeals, Sandiganbayan, Court of Tax Appeals, Regional Trial Courts, Metropolitan Trial Courts, Municipal Trial Courts, Municipal Trial Courts in Cities, Municipal Circuit Trial Courts, Shari'a District Courts, Shari'a Circuit Courts and the Presidential Electoral Tribunal.

The judicial power includes the duty of the courts of justice to settle actual controversies involving rights which are legally demandable and enforceable, and, in cases prescribed by law, to determine whether or not there has been grave abuse of discretion amounting to lack or excess jurisdiction on the part of any branch or instrumentality of the government.

### B. *Financial Highlights*

Presented below are the comparative analysis of the financial condition, and sources and application of funds of the Agency for the last two years:

	CY 2010	CY 2009	Increase/ (Decrease)
	(In Philippine Peso)		
<b>A. Financial Condition</b>			
Assets	12,209,993,651.08	10,878,809,974.44	(1,331,183,676.64)
Liabilities	7,090,727,659.57	6,601,190,151.61	489,537,507.96
Government Equity	5,119,265,991.51	4,277,619,822.73	841,646,168.78
Allotment	12,694,722,000.00	11,851,102,607.00	843,619,393.00
Obligations	12,446,335,337.50	11,737,942,202.00	708,393,135.50
<b>Unexpended Balance</b>	248,386,662.50	113,160,405.00	135,226,257.50

### C. *Operational Highlights*

The year 2010 marked a change in the leadership of the judicial hierarchy as Justice Renato C. Corona was appointed as the new Chief Justice on May 7, 2010. With the newly appointed Chief Justices, joined by the 14 Associate Justices, SC continues to perform its role of adjudicating legal dispute.

In 2010, the Supreme Court (SC) promulgated a total of 1,270 decisions and signed resolutions which included landmark rulings (*Annex A*). Pursuant to its rule-making power, Art. VIII, Section 5 of the Constitution, the SC promulgated (a) Administrative Circular No. 81-2010, Guidelines on the Implementation of RA 9946 (An Act Granting Additional Retirement, Survivorship, and Other Benefits to the Members of the Judiciary, Amending for the Purpose RA 910, as Amended, Providing Funds Therefore and for Other Purpose; (b) Rules of Procedure for Environmental Cases; (c) 2010 Rules of Procedure in Election Contests Before the Courts Involving Elective Municipal Officials; (d) The Internal Rules of the Supreme Court; (e) The 2010 Rules of the Presidential Electoral Tribunal; (f) Rule on Court- Annexed Family Mediation and Code of Ethical Standards for Mediators; (g) Amending the Guidelines on Local Travel for Officials and Employees; and (h) Guidelines for Investigation of the Committee on Ethics and Ethical Standards.

SC judicial reform programs continued to prosper. Information campaign regarding the rule using the local dialect for the small claims courts continued nationwide. SC was also set to complete the implementation of an e-payment system (in-house developed system) in all Metro Manila courts.

Of the SC's 22,547 cases filed in 2010, the High Tribunal disposed 14,507, for a case disposal rate of 62.35%, an increase of 3.04% from 59.31% in 2009. Cases includes cases for Judicial Matters and Administrative Matters pending as of December 31, 2006. On the other hand, lower courts disposed 377,841 cases out of the case input totaling 992,817 for a case disposal rate of 38%. Case input includes pending cases as of December 31, 2009, newly filed cases, revived/opened cases and cases received from other salas.

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

The audit was focused on the Court's accounts and financial operations for CY 2010. It was made to determine the reliability and accuracy of financial reports and adequacy of the books of accounts, in accordance with existing accounting and auditing rules and regulations. The audit was made through the conduct of selective tests on the accounts in the financial statements and accordingly included other audit techniques and procedures deemed necessary under the circumstances.

#### ***E. Auditor's Report***

The Auditor rendered an adverse opinion on the fairness of the presentation of the financial statements in view of the deficiencies which constituted 0.58 percent and 57.70 percent of the total assets, as shown in the Matrix on the Analysis of the Effects on the Misstatements on the Financial Statements marked as *Annex B.1* and *Annex B.2*. These deficiencies are as follows:

- a. net overstatement by P65,488,165.34 of the Cash Collecting-Officers account due to unrecorded collections of P10,025,122.83 and deposits of P75,513,288.17 at the Lower Courts which correspondingly understated the Other Service Income account by the amount of the unrecorded collections; and inclusion of the unsubstantiated Lower Court (LC) balance of P706,567,502.38 which cannot be classified to which regions it pertains to;
- b. understatement by P136,557,170.88 of Cash in Bank, LCCA account due to unrecorded deposits of P75,513,288.17 of the Lower Courts, stale checks totaling P61,043,882.71 and inclusion of other reconciling items totaling P141,472,491.35 which remained unadjusted;
- c. unreconciled difference of P5,133,270,942.61 of the Cash-LCSA account between the bank and book balances;
- d. overstatement by P158,472,317.86 of the inventory accounts (Office Supplies, Accountable Forms and Other Supplies Inventory) and understatement of the related expense accounts due to unrecorded issuances of LCs; and inclusion of unreconciled difference of P323,423,006.25 between the accounting and the property records of said inventory accounts;
- e. net overstatement by P6,317,378.81 of the PPE accounts (excluding Land, Land Improvements, Office Buildings, Other Structures and Construction in Progress - Agency Assets) due to transfer or disposal; unrecorded donated motor vehicles; erroneous recording of serviceable motor transferred to the Other Assets account which relatively understates the Accumulated Depreciation account; and inclusion of unreconciled difference of P740,997,042.34 between the accounting and the property records of the same PPE accounts that remained unadjusted, which likewise causing the understatement of the related payables by P61,043,882.71;
- f. net overstatement by P13,971,196.12 of the Other Receivables account resulting from the inclusion of the unpaid loans amounting to P19,092,098.26 and loans with negative balances totaling P666,361.79; and the misclassification of the unsettled cash advances totaling P611,327.14 of a retired judge to the cash accounts, PCF by P20,000.00 and Cash-Disbursing Officers of P349,800.00 and Advances to Officers and Employees account in the amount of P241,527.14 and overpayment of salaries amounting to P3,843,213.21 of officials and employees who are deceased, retired or separated from service.
- g. net understatement by P15,248,885.05 of the Due from Officers and Employees account resulting from the inclusion of the unpaid loans amounting to P19,092,098.26 of officials and employees which were erroneously recorded under the Other Receivables Account and overpayment of salaries totaling P3,843,213.21 of officials and employees who are deceased, retired or separated from service;

- h. understatement by P42,545,713.30 of the Items in Transit and overstatement of the Other Assets by same amount account due to the various furniture and fixtures erroneously recorded under the Other Assets account;
- i. understatement of P25,520,640.00 both of the Due from NGAs and Due to BIR accounts due to over remittance of taxes withheld;
- j. net understatement by P4,242,216.79 of the Due to Officers and Employees resulting from unrecorded expenses (COLA) of P3,575,855.00 and overpayment of loans by employees totaling P666,361.79; and
- k. net overstatement of Government Equity account due to transfer/disposal of various PPE totaling P17,224,378.81 which are still recorded in the books and unrecorded donated vehicles worth P7,040,000.00 and unrecorded obligations (COLA) paid during the year in the amount of P3,575,855.00

## **F. Observations and Recommendations**

The audit reveals deficiencies which, together with the corresponding recommendations, are summarized as follows:

1. The balance of Cash Collecting Officers account of P933,362,538.40 as of December 31, 2010 was of doubtful validity due to the inclusion of the collection of the Lower Courts (LC) totaling P706,567,502.38 which could not be validated because of the absence of a complete listing of individual collecting officers by regions to support the recorded balance per ledger contrary to Section 12 of the Manual on the New Government Accounting System, Volume II. Furthermore, there were findings by the Court Management Office of unrecorded collections of P10,025,122.83 and deposit of P75,513,288.17 at the Lower Courts.

We recommend that management: (a) create a team to analyze the accounts of the LC and identify the accountable clerk of courts in the subsidiary ledger balances of Cash-Collecting Officers and make the necessary adjustments for deficiencies noted and thereafter, maintain individual SL for each accountable officer to support the GL balance; (b) require the CMO to include the preparation of a reconciliation statement of deposits made by the accountable officer to support the results of its audit findings and submit to the Accounting Division for verification and recording of proper adjustments in the books of accounts.

2. The book balance of the Cash in Bank–Local Currency, Current Account as of December 31, 2010 in the amount of P503,423,234.33 does not agree with the bank balance of P703,637,868.65 or a difference of P202,516,374.06 which aside from outstanding checks, consists mostly of stale and cancelled checks,

unrecorded bank debit and credit memos and other reconciling items totaling P141,472,491.35 which remained unadjusted.

We recommend that management: (a) promptly prepare bank reconciliation statements every end of the month in accordance with Section 74 of P.D. No. 1445 for all depository bank accounts and record all reconciling items in the books; and (b) Analyze the records and account for the unreconciled prior years' discrepancy.

3. The book balance of the Cash in Bank–Local Currency, Savings Account as of December 31, 2010 in the amount of P7,093,768,617.73 does not agree with the bank balance totaling to P1,960,497,675.12 or a difference of P5,133,270,942.61 consisting of unrecorded/uncorrected reconciling items which remained unadjusted.

We recommend that management: (a) require the Accountant to prepare of timely and complete BRS of all depository bank accounts in accordance with Section 74 of P.D. 1445 and record all book reconciling items to present the true balance of the account in the financial statement; and (b) request from LBP copy/ies of the unrecorded debit and credit memo to facilitate recording in the books and updating of the reconciliation of closed depository account.

4. Failure of the management to strictly monitor the granting and liquidation of cash advances resulted in unliquidated balances of the Advances to Officer and Employees account as of December 31, 2010 in the aggregate amount of P4,048,656.82 due to excessive cash advances, granting of additional cash advance even if the previous ones were not settled yet and transfer of cash advance from one accountable officer (AO) to another contrary to Section 89 of P.D. 1445 and COA Circular No. 97-002.

We recommend that management (a) comply strictly with the rules and regulations on the granting and liquidation of cash advances pursuant to Section 89 of P.D. 1445, Sections 4.1.2, 4.1.3 and 4.1.6 of COA Circular No. 97-002; and (b) impose penal/administrative sanctions on those who continue to neglect their obligations in accordance with the provisions of Section 89 of P.D.1445 and COA Circular No. 97-002 dated February 10, 1997.

5. The balance of Due from Officers and Employees account of the Lower Courts increased by 40 percent from P19,832,504.83 in 2009 to P33,079,282.63 in 2010 due to the failure of management to monitor the enforcement of collection of shortages of the collecting officers totaling P29,236,069.42 and overpayment of salaries of officials and employees of P3,843,213.21.

We recommend that management assign to CMO or Accounting Division the duty/function of enforcing and monitoring the collection of the cash shortages and overpayment of salaries and other benefits as the result of CMO or Accounting Division's findings/report which are long overdue. Institute appropriate legal action, if warranted.

6. The reported balance of P19,146,660.62 of the Other Receivables account under the Judiciary Development Fund (JDF) was not correctly stated due to the inclusion of unpaid loans of officials and employees in the total amount P19,092,098.26 which should have been recorded as Due from Officers and Employees contrary to Section 28 of the Manual on the New Government Accounting System (NGAS). Further, of the total unpaid loans, P2,281,063.17 remained unsettled for two years and more and prior years' negative loan balances which increased to P666,361.79 in CY 2010 remained unadjusted.

We recommend that management (a) reclassify the loan recorded as Other Receivables account to Due from Officers & Employees account pursuant to Section 28 of the Manual on NGAS; (b) strictly enforce the policy on the payment/settlement of loans by the concerned official/committee in charge and assess the efficiency of the collection methods being used; (c) send statement of account to borrowers on a regular basis and require the Accounting Division to annually confirm from the borrowers their account balances to intensify the collection.

7. The constructed/installed two water purifying and refilling stations of the Supreme Court-Main Office costing P2,256,710.58 were not used since its completion on December 28, 2009 thereby, depriving the employees of the intended benefits of the project and resulting in the wastage of government resources if these water stations continue to remain non-operational. Moreover, despite the provision in the contract for the training of water attendant, management claimed that there are no available personnel to be trained for its operation.

We recommend that management take immediate appropriate action to designate a water attendant to be trained by the contractor for the operation of the water stations.

8. The balances of the Inventory accounts (Office Supplies, Accountable Forms, and Other Supplies Inventory) totaling P490,090,808.61 is of doubtful reliability and accuracy due to unrecorded issuances and unreconciled difference between the accounting and property records amounting to P481,895,324.11, which is inconsistent with the provision of Section 43 of the NGAS Manual, Vol. I. Furthermore, the accuracy of the accounts is affected because of lack of physical count of inventories to substantiate the existence of the property.

We recommend that management (a) require the Property Division to prepare and submit RSMI in the prescribed form regularly to the Accounting Division to support JEV preparation for the recording of issuances; (b) maintain an updated perpetual inventory records (SC and SLC) for all inventory items to ascertain the accuracy of the inventory account balance; and (c) require the Inventory Team to undertake complete physical inventory taking at least every six months, as of June 30 and December 31, each year, and submit results thereon in a prescribed form

in order to ascertain the correctness of the inventory balance and early detection of possible losses.

9. The balances of the PPE accounts totaling P1,543,724,880.83 (excluding Land, Land Improvements, Office Buildings, Other Structures and Construction in Progress- Agency Assets) as of December 31, 2010 remained unreconciled with the physical count of P2,305,197,866.21 due to (a) non-completion of actual physical inventory nationwide; (b) serviceable motor vehicles, which are still being used in the operation, were transferred to Other Asset account; (c) unrecorded transfer/disposal of IT equipment and donated motor vehicles, resulting in the discrepancy of P740,997,042.34.

We recommend that management (a) conduct/complete actual physical inventory of PPE in SC-Main including all courts throughout the country and submit the corresponding reports thereon to the Auditor in accordance with Section 490 of the GAAM Vol. I and in the format prescribed in Section 66 (Appendix 63) of Manual on the NGAS, Vol. II; (b) require the Property Division to prepare the Inventory and Inspection of Unserviceable Properties or IIRUP as basis for the drawing up of a Journal Entry Voucher for dropping from the books the unserviceable properties carried in the PPE accounts pursuant to Section 64 of the Manual on the NGAS, Vol. II; likewise, require the concerned personnel of the Accounting Division to prepare the necessary adjusting entries to drop from the books all items that were already disposed; (c) record in the books the P7,040,000.00 donated motor vehicles of PHILJA; (d) reclassify assets that are still serviceable and being used in the operation from Other Assets account to the respective PPE accounts of the affected assets.

10. The account Due to Officers and Employees is understated by P3,575,855.00 due to unrecorded Cost of Living Allowance (COLA) of officials and employees of the Lower Courts of the Supreme Court for 2010, contrary to Section 157 of the Manual on New Government Accounting System (NGAS), Volume III and Section 48 of the Government Accounting and Auditing Manual (GAAM), Volume III.

We recommend that management (a) record the amount of P3,575,855.00 under the Due to Officers and Employees account in order to present the correct obligations for payment of COLA of RCAO VII personnel.

11. Fidelity bonds of 27 Clerks of Court/Accountable Officers assigned in Metropolitan Trial Court, Regional Trial Courts, Municipal Circuit Trial Courts, Municipal Trial Courts, Municipal Trial Courts in Cities were already expired as of December 31, 2010 contrary to Section 101 of PD 1445, exposing government funds to possible risks.

We recommend that Management require the Clerk of Courts and designated accountable officers to file application for bond/renewal of bond to the Bureau of Treasury.

12. The failure of the Property Division to file the notice of loss for the damaged properties within the prescribed period with the Government Service Insurance System (GSIS) resulted in the non-collection of the insurance proceeds thus a waste of government funds in terms of premium payment for the damaged properties worth P2,429,083.91.

We recommend that there should be strict compliance to the policy of the GSIS on notification of property losses to attain its main purpose in insuring the properties of the lower courts nationwide.

13. The slow/low availment/utilization rate of the loan for the Judicial Reform Support Project (JRSP) resulted in the payment of commitment fees totaling P1,079,393.31 for CY 2010 for the unwithdrawn principal amount of the IBRD loan by the government. The government has already paid accumulated commitment fees of US\$314,083.03 or P15,860,265.76 for the year 2004 – 2010.

We recommend management to: (a) immediately determine the needed budget for the remaining activities to complete the project component and return excess of the needed budget to avoid additional incurrence of commitment fees; and (b) improve project monitoring and construction supervision to hasten the project completion and to address the delays or any problem in Project implementation immediately.

14. Various furniture and fixtures purchased from the loan proceed thru direct payment totaling P42,545,713.30, but are still in the supplier's warehouse, were erroneously recorded in the books of accounts as debit to Other Assets account when it should have been recorded as a debit to Items in Transit (code 284) contrary to the provisions of COA Circular No. 2004-008 dated September 20, 2004 thus, affects the fair presentation of the assets in the financial statements.

We recommend that the Chief Accountant prepare the necessary adjusting entries to correct the deficiency noted for proper and fair presentation of the accounts in the financial statements and to observe strict adherence to COA Circular No. 2004-008 dated September 20, 2004, updates of the NGAS Manual Volume III.

The observation and recommendations contained in the report were discussed with the concerned officials of the agency. Management's views and reactions were considered in the report, where appropriate.

### ***G. Implementation of Prior Year's Recommendation***

Out of the 16 audit recommendations embodied in the 2009 Annual Audit report, three was fully implemented, five were partially implemented and eight were not implemented, thus reiterated in this report.

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# **PART I**

## **FINANCIAL STATEMENTS**

## **PART II**

# **OBSERVATIONS AND RECOMMENDATIONS**

## **PART III**

# **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

## **PART IV**

## **ANNEXES**



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

## **INDEPENDENT AUDITOR'S REPORT**

**The Honorable Chief Justice**  
Supreme Court of the Philippines  
Manila

Pursuant to Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree No. 1445, we have audited the accompanying balance sheet of the **Supreme Court of the Philippines** as of December 31, 2010 and the related statements of income and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Auditee. 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 included examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. It also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

There is reason to believe that the financial statements are not free of material misstatements due to the following deficiencies which contain the inclusion in the Cash-Collecting Officers of the unsubstantiated Lower Court (LC) balance of P706,567,502.38 which cannot be classified to which regions it pertains to; inclusion in the Cash-LCCA account of other reconciling items totaling P141,472,491.35 which remained unadjusted; unreconciled difference of P5,133,270,942.61 of the Cash-LCSA account between the bank and book balances; unreconciled difference of P323,423,006.25 of the inventory accounts (Office Supplies, Accountable Forms and Other Supplies Inventory) between the accounting and the property records; and unreconciled difference of P740,997,042.34 of the PPE accounts (excluding Land, Land Improvements, Office Buildings, Other Structures and Construction in Progress - Agency Assets) between the accounting and the property records constituting 57.70 percent of the total assets:

1. The balance of Cash Collecting Officers account of P933,362,538.40 as of December 31, 2010 was of doubtful validity due to the inclusion of the collection of the Lower Courts (LC) totaling P706,567,502.38 which could not be validated because of the absence of a complete listing of individual collecting officers by regions to support the recorded balance per ledger. Furthermore, there were

findings by the Court Management Office of unrecorded collections of P10,025,122.83 and deposit of P75,513,288.17 at the Lower Courts;

2. The book balance of the Cash in Bank–Local Currency, Current Account as of December 31, 2010 in the amount of P503,423,234.33 does not agree with the bank balance of P703,637,868.65 or a difference of P202,516,374.06 which aside from outstanding checks, consists mostly of stale and cancelled checks, unrecorded bank debit and credit memos and other reconciling items totaling P 141,472,491.35 which remained unadjusted;
3. The book balance of the Cash in Bank–Local Currency, Savings Account as of December 31, 2010 in the amount of P7,093,768,617.73 does not agree with the bank balance totaling to P1,960,497,675.12 or a difference of P5,133,270,942.61 consisting of unrecorded/uncorrected reconciling items which remained unadjusted;
4. The balance of Due from Officers and Employees account of the Lower Courts increased by 66.79 percent from P19,832,504.83 in 2009 to P33,079,282.63 in 2010 due to the failure of the management to monitor the enforcement of collection of shortages of the collecting officers totaling P29,236,069.42 and overpayment of salaries of officials and employees of P3,843,213.21, respectively;
5. The reported balance of P19,146,660.62 of the Other Receivables account under the Judiciary Development Fund (JDF) was not correctly stated due to the inclusion of unpaid loans of officials and employees in the total amount P19,092,098.26 which should have been recorded as Due from Officers and Employees. Further, of the total unpaid loans, P2,281,063.17 remained unsettled for two years and more and prior years' negative loan balances, which increased to P666,361.79 in CY 2010, were still unadjusted;
6. The balances of the Inventory accounts (Office Supplies, Accountable Forms, and Other Supplies Inventory) totaling P490,090,808.61 is of doubtful reliability and accuracy due to unrecorded issuances of P158,472,317.86 and unreconciled difference of P323,423,006.25 between the accounting and property records. Further, the accuracy of the accounts is affected because of lack of physical count of inventories to substantiate the existence of the property;
7. The balances of the PPE accounts totaling P1,543,724,880.83 (excluding Land, Land Improvements, Office Buildings, Other Structures and Construction in Progress- Agency Assets) as of December 31, 2010 remained unreconciled with the physical count of P2,305,197,866.21 due to (a) non-completion of actual physical inventory nationwide; (b) serviceable motor vehicles, which are still being used in the operation, were transferred to Other Asset account; (c) unrecorded transfer/disposal of IT equipment and donated motor vehicles, resulting in the discrepancy of P740,997,042.34;

8. The account of Due to Officers and Employees is understated by P3,575,855.00 due to unrecorded Cost of Living Allowance (COLA) of officials and employees of the Lower Courts of the Supreme Court for 2010; and
9. Various furniture and fixtures purchased from the loan proceed thru direct payment totaling P42,545,713.30, but are still in the supplier's warehouse, were erroneously recorded in the books of accounts as debit to Other Assets account when it should have been recorded as a debit to Items in Transit thus, affects the fair presentation of the assets in the financial statements.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in all material respects, the financial position of the Supreme Court of the Philippines as of December 31, 2010 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 accounting principles.

**COMMISSION ON AUDIT**

By:

  
**LOURDES B. LIM**  
Supervising Auditor

September 30, 2011



Republic of the Philippines  
Supreme Court  
Manila

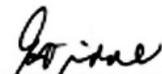
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **Supreme Court of the Philippines** is responsible for all information and representations contained in the accompanying Balance Sheet as of **December 31, 2010** and the related Statement of Income and Expenses and Cash Flows for the year then ended for the Supreme Court and Lower Courts' Consolidated **Regular Agency Books**. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

  
**CORAZON G. FERRER-FLORES**  
Chief, Fiscal Management and Budget Office

APPROVED:

  
**ENRIQUETA ESGUERRA-VIDAL**  
Clerk of Court

# SUPREME COURT OF THE PHILIPPINES

## Balance Sheet

As of December 31, 2010

(With Comparative Figures for CY 2009)

(In Philippine Peso)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Cash</b>		
Cash - Collecting Officers (Note 5.1 )	933,362,538.40	904,593,205.62
Cash - Disbursing Officers (Note 5.2 )	698,300.00	698,300.00
Petty Cash Fund (Note 5.3 )	600,759.82	359,229.77
Payroll Fund (Note 5.4 )	6,378,755.76	2,176,857.32
Cash in Bank-Local Currency, Current Account (Note 5.5)	503,423,234.33	559,518,537.67
Cash in Bank-Local Currency, Savings Account (Note 5.6)	7,093,768,617.73	6,218,466,062.87
<i>Total Cash</i>	<u>8,538,232,206.04</u>	<u>7,685,812,193.25</u>
<b>Receivables</b>		
Accounts Receivable	425,505.53	425,505.53
Due from Officers and Employees (Note 6.1 )	37,782,055.28	23,323,474.41
Due from the National Treasury (Note 6.2 )	36,272,238.51	38,341,258.91
Due from NGAs (Note 6.3 )	82,498,433.38	38,946,741.84
Due from GOCCs (Note 6.4 )	108,970.00	108,970.00
Due from LGUs (Note 6.5 )	109,401,477.32	104,382,808.52
Due from Other Funds (Note 6.6 )	8,809,075.01	8,283,870.03
Receivables – Disallowances/Charges (Note 6.7 )	536,936.17	736,549.17
Advances to Officers and Employees (Note 6.8 )	4,048,656.82	1,690,410.26
Other Receivables (Note 6.9 )	36,699,982.03	41,178,117.23
<i>Total Receivables</i>	<u>316,583,330.05</u>	<u>257,417,705.90</u>
<b>Inventories</b>		
Office Supplies Inventory (Note 7.1 )	350,473,710.52	178,638,387.45
Accountable Forms Inventory (Note 7.2 )	25,629,252.10	18,133,516.00
Drugs and Medicines Inventory (Note 7.3 )	1,789,010.64	2,585,830.58
Medical, Dental, and Laboratory Supplies Inventory	503,318.57	658,211.05
Other Supplies Inventory (Note 7.4 )	113,987,845.99	105,448,970.33
Construction Materials Inventory	2,129,450.71	1,923,579.20
<i>Total Inventories</i>	<u>494,512,588.53</u>	<u>307,388,494.61</u>
<b>Prepayments</b>		
Advances to Contractors (Note 8 )	15,986,719.34	36,932,098.13
Other Prepaid Expenses	87,998.79	87,998.79
<i>Total Prepayments</i>	<u>16,074,718.13</u>	<u>37,020,096.92</u>
<b>Other Current Assets</b>		
Guaranty Deposits (Note 9)	2,039,481.00	792,831.00
<i>Total Other Current Assets</i>	<u>2,039,481.00</u>	<u>792,831.00</u>

	<u>2010</u>	<u>2009</u>
<b>Investment in Securities</b>		
Investment in Treasury Bills(Note 10 )	100,000,000.00	-
<i>Total Investment in Treasury Bills</i>	<u>100,000,000.00</u>	<u>-</u>
<i>Total Current Assets</i>	<u>9,467,442,323.75</u>	<u>8,288,431,321.68</u>
<b>Property, Plant and Equipment (Note 11 )</b>		
Land	685,608.00	685,608.00
Land Improvements	670,000.00	670,000.00
Office Buildings	1,486,053,716.15	1,486,053,716.15
Other Structures	1,401,724.00	1,401,724.00
Office Equipment	96,217,116.81	93,609,218.71
Furniture and Fixtures	439,107,697.39	435,405,449.02
IT Equipment & Software	725,662,913.18	609,436,994.50
Library Books	41,065,055.94	39,883,143.54
Communication Equipment	6,557,728.00	6,005,168.00
Firefighting Equipment and Accessories	2,256,252.00	2,185,402.00
Medical, Dental and Laboratory Equipment	1,245,946.00	1,207,946.00
Other Machineries & Equipment	111,368,397.27	87,159,506.83
Motor Vehicles	120,064,206.00	85,952,706.00
Other Property, Plant and Equipment	179,568.24	179,568.24
Construction in Progress- Agency Assets(Note 11.1)	605,362,057.53	470,718,152.35
<i>Total Property, Plant and Equipment</i>	<u>3,637,897,986.51</u>	<u>3,320,554,303.34</u>
Less: Total Accumulated Depreciation(Note 11.2)	984,430,398.12	819,175,492.84
<i>Property, Plant and Equipment - Net</i>	<u>2,653,467,588.39</u>	<u>2,501,378,810.50</u>
<b>Other Assets</b>		
Other Assets	89,083,738.94	88,999,842.16
<i>Total Other Assets</i>	<u>89,083,738.94</u>	<u>88,999,842.16</u>
<b>Total Assets</b>	<u><u>12,209,993,651.08</u></u>	<u><u>10,878,809,974.34</u></u>

## LIABILITIES & EQUITY

### Liabilities

#### *Current Liabilities*

Accounts Payable(Note 12.1 )	75,147,622.58	67,956,304.82
Due to Officers and Employees(Note 12.2 )	10,734,999.71	62,106,863.30
Due to National Treasury	145,353,187.00	160,353,187.00
Due to BIR (Note 12.3 )	(103,239,963.37)	(90,707,382.45)
Due to GSIS (Note 12.4)	(68,524,563.91)	(74,352,091.59)
Due to PAG-IBIG (Note 12.5 )	(63,403.11)	(315,071.69)
Due to PHILHEALTH (Note 12.6 )	11,681,924.19	10,297,966.88
Due to Other NGAs (Note 12.7 )	619,852.67	882,182.90
Due to Other GOCCs (Note 12.8 )	(729,368.75)	(554,602.37)
Due to LGUs (Note 12.9 )	262,010.17	262,010.17
Due to Other Funds (Note 12.10 )	7,543,347.67	8,622,899.76
Guaranty Deposits Payable(Note 12.11 )	44,831,099.39	38,162,690.16
Performance/Bidders/Bail Bonds Payable (Note 12.12 )	6,779,686,589.69	6,246,429,534.98

	<u>2010</u>	<u>2009</u>
Tax Refund Payable <i>(Note 12.3)</i>	98,663,087.83	97,525,490.23
Other Payables <i>(Note 12.14 )</i>	88,523,170.95	74,282,102.65
<i>Total Current Liabilities</i>	<u>7,090,489,592.71</u>	<u>6,600,952,084.75</u>
<b>Deferred Credits</b>		
Other Deferred Credits	238,066.86	238,066.86
<i>Total Deferred Credits</i>	<u>238,066.86</u>	<u>238,066.86</u>
<i>Total Liabilities</i>	<u>7,090,727,659.57</u>	<u>6,601,190,151.61</u>
<b>Government Equity</b>		
Government Equity, January 1, 2009	4,277,619,822.73	4,127,069,391.24
Retained Operating Surplus		
Current Operations	527,667,446.38	180,763,417.79
Prior Years' Adjustments <i>(Note 13 )</i>	313,978,722.40	(30,212,986.30)
	<u>841,646,168.78</u>	<u>150,550,431.49</u>
Government Equity, December 31, 2010	<u>5,119,265,991.51</u>	<u>4,277,619,822.73</u>
<b>Total Liabilities and Equity</b>	<u>12,209,993,651.08</u>	<u>10,878,809,974.34</u>

*See accompanying Notes to Financial Statements*

**SUPREME COURT of the PHILIPPINES**  
**Notes to Financial Statements**  
**December 31, 2010**

**1. General/Agency Profile**

- 1.1 The Supreme Court of the Philippines was organized following Act 136 of the Philippine Commission and was established on June 11, 1901.
- 1.2 Article VIII of the 1987 Constitution vested judicial power in one Supreme Court and in such lower courts as may be established by law.

Judicial power includes the duty of the courts of justice to settle actual controversies involving rights which are legally demandable and enforceable, and to determine whether or not there has been a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government.

- 1.3 The Supreme Court (SC) is the highest tribunal in the country's four-tiered court system. It supervises the administration of all lower courts such as the Court of Appeals, Sandiganbayan, Court of Tax Appeals, Regional Trial Courts, Metropolitan Trial Courts, Municipal Trial Courts in Cities, Municipal Circuit Trial Courts, Municipal Trial Courts, Shari'a District Courts, Shari'a Circuit Courts, the Jurisconsult and the Presidential Electoral Tribunal.
- 1.4 The SC is composed of a Chief Justice and fourteen (14) Associate Justices. It may sit en banc or in its discretion, in divisions of three, five, or seven Members. Any vacancy shall be filled within ninety (90) days from the occurrence thereof.

In the discharge of its constitutional function, the Court is assisted by the Office of the Court Administrator (OCA) created under the provisions of Presidential Decree No.828, as amended by P.D. No. 842. The OCA is tasked with the supervision and administration of the country's Lower Court (LC).

- 1.5 The main function of the Supreme Court and the LC is the adjudication of constitutional questions, appeals and other cases.
- 1.6 The LC consisted of 905 Regional Trial Courts, 106 Metropolitan Trial Courts, 201 Municipal Trial Court in Cities, 360 Municipal Trial Courts, 424 Municipal Circuit Trial Courts, 5 Shari'a District Courts and 51 Shari'a Circuit Courts. There are 1,843 Clerk of Courts assigned to these courts. The LC is responsible for the observance and implementation of rules promulgated by the SC concerning the protection and enforcement of legal rights and as such, they are involved in the rendition of judgments and orders on civil, criminal, administrative and other cases in settling actual

disputes/controversies involving rights which are legally demandable and enforceable. It adjudicates cases falling under its jurisdiction, and such other cases as the SC may assign to them from time to time.

## **2. Basis of Financial Statements Presentation**

2.1 The financial statements have been prepared in accordance with the generally accepted state accounting principles and standards.

2.2 Included in the 2010 Consolidated Financial Statements of the SC and the Lower Courts are transactions of the following, namely:

### 2.2.1 Supreme Court –Proper

- a. General Fund
- b. Judicial Reform Program
- c. United Nations Development Program
- d. Mandatory Continuing Legal Education
- e. Judicial Reform Support Program - World Bank Loan
- f. Judicial Training Center
- g. SC-United Nations Development Program - Internally Displaced Persons Project
- h. PHILJA Development Center - Non-Project Grant Assistance Japan Counter Value Fund
- i. SC-Government of the Philippines Counterpart Funds– Grants
- j. SC-United Nations Development Program Grant for Democratic Governance

### 2.2.2 LC and the OCA

- a. Regional Trial Courts
- b. Metropolitan Trial Courts
- c. Municipal Trial Courts in Cities
- d. Municipal Circuit Trial Courts
- e. Municipal Trial Courts
- f. Shari'a District Courts
- g. Shari'a Circuit Courts

### 2.2.3 Philippine Judicial Academy (PHILJA)

### 2.2.4 Regional Office of the Court Administrator - Region 7 (RCAO7)

Brief features of the different funds/books of accounts of the court as included in the SC-Proper:

#### 2.2.5 Judiciary Development Fund (JDF)

To help ensure its independence as mandated by the Constitution, the Judiciary Development Fund (JDF) was established by PD No. 1949 that was promulgated on July 18, 1984 for the benefit of members and personnel of the Judiciary and to help ensure and guarantee the independence of the Judiciary as mandated by the Constitution and public policy. The JDF is sourced from increase in the legal fees as prescribed in the amendments to Rule 141 of the Rules of Court and from other sources as provided in En Banc Resolution No. 99-8-01 dated September 14, 1999. Eighty percent (80%) of the JDF is allocated to augment the Cost of Living Allowance (COLA) of the members and personnel of the Judiciary and the other twenty percent (20%) is allocated to finance the acquisition, maintenance and repair of office equipment and facilities. Actual disbursements for COLA are based on deposits per bank statement on a particular covered date as remitted by the Clerks of Court of the Judiciary.

The Chief Justice of the Supreme Court administers and allocates the JDF and exercises sole exclusive power and duty to approve disbursements and expenditures of the JDF.

The JDF has four active bank accounts with the Land Bank of the Philippines (LBP), three of which are with the LBP-SC Extension Office. All fees receipted and collected are deposited to the main Savings Account No. 0591-0116-34. When the Chief Justice authorizes release of COLA, the equivalent amount is transferred from the main Savings Account to Current Account No. 3472-1000-59 where the 80% allocation is kept. Any unexpended balance of the allocation will be included for distribution in the succeeding month.

Upon approval of the Chief Justice, the 20% of the total fees collected is transferred to Savings Account No. 3471-0011-62. Whenever the Court pays for the acquisition of equipment, maintenance of facilities and other related expenses, funds are transferred from SA No. 3471-0011-62 to Current Account No. 3472-1001-72.

On March 25, 2004, an initial deposit of P 300,000,000.00 was made to open a JDF High Yield Savings Account (HYSA) under LBP Account No. 0591-1758-07. The amount was taken from the existing JDF SA 0591-1601-41. The HYSA is a peso account wherein funds of a specific amount are given predetermined interest rates at a fixed term. HYSA earns a 4% interest per annum renewable every maturity

date. Interests earned during the year for this account have totaled P7,237,252.08.

#### 2.2.6 Special Allowance for the Judiciary (SAJ)

The Special Allowance for the Judiciary (SAJ) was created in accordance with Republic Act No. 9227 dated October 23, 2003, granting additional compensation in the form of special allowances for justices and judges and all other positions in the judiciary with the equivalent rank of justices of the Court of Appeals and judges of the Regional Trial Court.

Funds for the SAJ is sourced from latest increase in legal fees as prescribed in the amendments of Rule 141 of the Rules of Court pursuant to A.M. No. 04-2-04-SC dated July 20, 2004. To avoid confusion that may arise in the allocation of the legal fees collected under said rule between the JDF and the SAJ, a set of guidelines on the legal fees collected was issued under Administrative Circular No. 35-2004. A savings account for the SAJ remittances was opened on January 20, 2004 under LBP-SA-account Number 0591-1744-28.

#### 2.2.7 Judicial Reform Support Project (JRSP) – World Bank (WB) Loan No. 7191

WB Loan No. 7191 in the amount of USD 21.9 Million was negotiated by the Government of the Philippines (GOP) to finance the SC's Action Program for Judicial Reform. The loan became effective on October 3, 2003 and is being implemented on December 04, 2003 until December 31, 2009. However, with the recent approval of the project's extension for another eighteen (18) months until June 30, 2011, the JRSP's implementation period has been stretched to seven and one half (7 ½) years from the loan's effectivity date of December 4, 2003.

#### 2.2.8 PHILJA Development Center (PDC) – Non-Project Grant Assistance-Japan Counter Value Fund (PDC-JCF)

The Japanese government, through its Non-Project Grant Assistance Counter Value Fund, has provided a grant of P300 Million to the PHILJA for the construction and renovation of the PHILJA Development Center (PDC). The PDC- Project Implementation Committee (PDC-PIC) was created to undertake the implementation of the project. The project is still on-going.

#### 2.2.9 Modified Disbursement System (MDS) Account for GOP Counterpart for Grants

A new account was opened for DBM releases of GOP counterpart funds for the WB-IDF and United Nations Development Fund for Women (UNIFEM) – Study Tour grants in an amount not exceeding P63 Million.

#### 2.2.10 United Nations Development Program Grant for Democratic Governance

The UNDP extended a grant for the purpose of enhancing the capacities of the Pillars of Justice System to ensure that the rights of the people are protected. The project is being implemented for one (1) year, beginning March 2009 to December 31, 2009.

### 3. Summary of Significant Policies

- 3.1 Notice of Cash Allocation (NCA) is recorded in the Regular Agency (RA) books as well those income/receipts which the agency is authorized to use. Income/receipts **which** the agency are not authorized to use and are required to be remitted to the National Treasury are recorded in the National Government (NG) Books.
- 3.2 All expenses are recognized when incurred and reported in the financial statements in the period to which they relate.
- 3.3 For assets under construction, all related expenses incurred during the construction of the project are capitalized and those incurred after the construction are charged against the operating cost.
- 3.4 Accounts were reclassified to conform to the revised Chart of Accounts prescribed under the Manual on the New Government Accounting System (NGAS) and COA Circular Nos. 2004-008 dated September 20, 2004, in consonance with COA Circular 2003-01 dated June 17, 2003 and COA Accounting Circular No.2006-001 dated November 9, 2006.
- 3.5 Property, Plant and Equipment (PPE) are carried at cost less accumulated depreciation. The Straight Line Method of depreciation is used in depreciating the PPE with estimated useful lives ranging from five to thirty years. A residual value, computed at ten percent (10%) of the cost of asset is set and depreciation starts on the second month after purchase. For buildings, depreciation starts on the second month upon completion of the project.
- 3.6 Financial expenses such as bank charges are separately classified from Maintenance and Other Operating Expenses.

- 3.7 Transactions in foreign currencies are recorded in Philippine Pesos based on the Bangko Sentral ng Pilipinas rate of exchange prevailing at the date of transactions. Gain/Loss on Foreign Exchange account is used to record gains or losses incurred in the conversion of foreign currencies to Philippine peso.
- 3.8 The Pilot office of the Regional Court Administration Office for Region 7 covering the areas of Cebu, Bohol, Negros Oriental and Siquijor commenced on July 2008. The court adopted the reciprocal accounts of Subsidy to Regional Office and Subsidy from Central Office in recording fund transfers.
- 3.9 Electronic New Government Accounting System (e-NGAS) was adopted for 2008 transactions. All transactions (Cash transactions of collections, deposits, disbursements receipts of NCA, Non-Cash transactions, Adjustments and Closing entries) were recorded in the General Journal. The 2010 financial reports were generated per funds and per books under the E-NGAS except for consolidated reports of Central and Regional Offices.
- 3.10 To conform to the 2010 financial statement presentation, the Collection of Service Income was segregated into service income during the year and prior years while the Unutilized Notice of Cash Allocation (NCA) –General Fund and Special Fund/170 of CY 2009 were combined in CY 2010.

**4. Correction of Fundamental Errors**

Fundamental errors of prior years are corrected using the Prior Years’ Adjustment Account. Errors affecting current year’s operation are charged to the current year’s accounts.

**5. Cash and Other Cash Accounts**

- 5.1 Cash – Collecting Officers – *P933,362,538.40*

The balance represents the collections of legal fee, sheriff fees/fiduciary fund for the Supreme Court and Lower Courts as of December 31, 2010, broken down as follows:

<b>DESCRIPTION</b>		<b>AMOUNT</b>
<b>SC PROPER</b>		
General Fund	64,753.92	
SAJ	1,205,361.57	
JDF	49,838,111.95	
<i>Sub-total</i>		<b>51,108,227.44</b>

<b>DESCRIPTION</b>		<b>AMOUNT</b>
<b>LOWER COURTS</b>		
RTC	732,195,077.60	
MTCC	56,028,069.31	
MCTC	49,351,487.50	
MTC	30,990,920.89	
METC	11,052,082.93	
SCC	4,050.00	
SDC	(4,343.16)	
<i>Sub-total</i>		<b>879,617,345.07</b>
<b>OCA</b>		25,200.00
<b>RCAO 7</b>		1,729,305.26
<b>PHILJA</b>		882,460.63
<b>TOTAL</b>		<b>933,362,538.40</b>

- a. The balance of General Fund amounting to P64,753.92 represents the undeposited collections of the Supreme Court as of December 31, 2010.
- b. The balance of SAJ amounting to P1,205,361.57 represents the undeposited collections for the Supreme Court, the Court of Appeals (Manila, Cebu and Cagayan de Oro), the Court of Tax Appeals, the Lower Courts, Sandiganbayan and the Regional Court Administration Office in Region 7 (RCAO7), which were deposited in January 2011.

## 5.2 Cash – Disbursing Officers – ₱ 698,300.00

The Cash-Disbursing Officer account balance pertains to the unliquidated cash advance, broken down as follows:

<b>FUND</b>	<b>ACCOUNTABLE OFFICER</b>	<b>AMOUNT</b>
WB-JRSP	Araceli Bayuga	348,500.00
UNDP-IDPP	Priscilla Agana (deceased)	349,800.00
<b>TOTAL</b>		<b>698,300.00</b>

The balance represent cash advances granted for the Orientation Seminar on Code of Conduct and for the conduct of seminar on Strengthening Shari'a Courts respectively, liquidations of the expense allowance for court employees were held in abeyance pending issuance of court resolution on the payment. These cash advances for special purpose are reclassified to Advances to Officers and Employees (code 148) under JEV Nos. 2011-07-020774 and 2011-05-008371 dated July 31, 2011 and May 13, 2011, respectively.

5.3 Petty Cash Fund – P600,759.82

The account balance of P600,759.82 represents the unreplenished amount of the petty cash fund for emergency and miscellaneous expenses. This was liquidated in January 2011. The breakdown is shown hereunder:

<b>FUND</b>	<b>AMOUNT</b>
General Fund	580,759.82
Philja	20,000.00
<b>TOTAL</b>	<b>600,759.82</b>

5.4 Payroll Fund – P6,378,755.76

Cash advances for Payroll recorded as Cash-Disbursing Officers was reclassified to Payroll Fund (account code 106) pursuant to COA Accounting Circular No. 2007-01 dated January 19, 2007 and were liquidated in January 2011. The Payroll Fund account balance of P6,378,755.76 is broken down as follows:

<b>DESCRIPTION</b>		<b>AMOUNT</b>
SC PROPER		
SAJ	6,361,267.35	
JDF	102,690.00	
<i>Sub-total</i>		6,463,957.35
LOWER COURTS		
RTC	(128,849.95)	
MTCC	15,606.23	
METC	28,042.13	
<i>Sub-total</i>		(85,201.59)
<b>TOTAL</b>		<b>6,378,755.76</b>

- a. The outstanding SAJ balance of P6,361,267.35 was liquidated in January 2011.
- b. The balance of JDF in the amount of P102,690.00 is for adjustment due to erroneous recording.
- c. The negative balance of the RTC amounting to P118,111.90 was brought the balance forwarded since 1997.

5.5 Cash in Bank – Local Currency, Current Account – P503,423,234.33

The Cash in Bank- Local Currency, Current Account is composed of the following accounts:

<b>Account Name/Fund</b>	<b>Account Number</b>	<b>Amount</b>	<b>Total</b>
<b>SC PROPER</b>			
General Fund			
Fiduciary Fund	0592-1009-83/ 3472-1002-29	8,228,374.26 66,077,528.58	
Hall of Justice	0592-1038-34/ 3472-1002-45	2,544,726.76 1,884,143.58	
Philippine National Bank	0220-840320-9	129,926,414.79	
Land Bank of the Philippines	0592-1023-90	587,232,117.40	
<i>Sub-total</i>			<b>795,893,305.37</b>
SAJ	0592-1059-77/ 3472-1002-37	(344,953.41) 126,667,224.04	<b>126,322,270.63</b>
JDF-80%	3472-1000-5 0592-1021-53	34,356,060.38 6,994,372.98	
JDF-20%	3472-1001-72	39,114,254.21	
JDF RCAO –Region 7	1352-1021-52	4,577,970.00	
<i>Sub-total</i>			<b>85,042,657.57</b>
UNDP	3472-1002-53	27,154.57	
MCLE	3472-1002-02	31,550,455.71	
JRSP	3472-1001-80	3,813,127.43	
UNDP-IDPP	3472-1000-16	6,291,130.00	
UNDP Grant	3472-1004-23	1,017,294.19	
<i>Sub-total</i>			<b>42,699,161.90</b>
<b>LOWER COURTS</b>			
RTC	0592-1061-67/ 205-80047-6	(183,782,964.12)	
MTCC	0592-1062-21/ 205-80053-1	(57,870,239.68)	
MCTC	0592-1061-91	(149,560,754.57)	
MTC	0592-1061-75/ 208-80048-4	(176,211,060.96)	
METC	0592-1061-83/ 2202-1009-48	(39,412,755.58)	
SCC	0592-1062-13/ 2202-1009-72	7,061,975.20	
SDC	0592-1062-05/ 208-80051-4	558,080.63	
JURISCONSULT		(366,015.58)	
RCAO		962,769.18	
<i>Sub-total</i>			<b>(598,620,965.48)</b>

Account Name/Fund	Account Number	Amount	Total
<b>OCA</b>			<b>47,215,582.08</b>
<b>RCAO7</b>			<b>1,338,970.56</b>
<b>PHILJA</b>			
Philja Rule 141	3472-1000-08	(9,098,704.53)	
Philja Prejudicature	3472-1000-75	159,423.76	
Philja Asia Foundation	0592-1050-98	(6,178.12)	
	3472-1000-83	176,051.01	
Philja UNICEF	3472-1000-91	170,435.00	
Philja Fund	0592-1040-16	478,364.31	
	3472-1001-05	(50,197.83)	
Philja Quasi-Judicial	3472-1001-13	142,428.66	
Philja Juris Project	3472-1001-21	278.58	
Philja PMC	0592-1055-60	21,913,327.62	
	3472-1001-30	(10,353,847.91)	
Philja Access	3472-1003-69	871.15	
<b>Sub-total</b>			<b>3,532,251.70</b>
<b>TOTAL</b>			<b>503,423,234.33</b>

\* The request for write-off of the Philippine National Bank (PNB) deposit account, a dormant account since 1992 and has been outstanding in the SC and LC's books amounting to ₱129,926,414.79 was indorsed to the Commission on Audit - Central Office on January 25, 2007 and is still pending as of this report.

#### 5.6 Cash in Bank – Local Currency, Savings Account – P7,093,768,617.73

The Cash in Bank, Local Currency- Savings Account consists of the following accounts:

Account Name/Fund	Account Number	Amount	Total
<b>SC PROPER</b>			
<b>General Fund</b>			
SC-Payroll	0591-1496-44		6,705,109.46
<b>SAJ</b>	0591-1744-28		438,041,600.04
<b>JDF</b>			
JDF 20%	3471-0011-62	794,154,688.35	
JDF HYSA	0591-1758-07	357,270,052.32	
JDF Main	0591-0116-34	(189,657,190.12)	
PET-ATM account	3471-0022-90	(131,350.00)	
SC-ATM	0591-1496-44	7,699.99	
	3471-0022-82	(940.00)	961,642,960.54
<i>Sub-total</i>			<b>1,406,389,670.04</b>
<b>LOWER COURTS</b>			
<b>FIDUCIARY FUND</b>	various accounts		
RTC		4,576,176,312.15	

Account Name/Fund	Account Number	Amount	Total
MTCC		266,971,823.86	
MCTC		121,223,712.50	
MTC		215,491,023.51	
METC		418,231,482.14	
SCC		(1,315.40)	
SDC		275,543.16	
<i>Sub-total</i>		<b>5,598,368,581.92</b>	
<b>ATM (PAYROLL)</b>			
RTC	3471-0021-00	18,447,397.16	
MTCC	3471-0021-00	492,170.69	
MCTC	3471-0021-00	1,378,553.93	
MTC	3471-0021-00	1,070,517.83	
METC	3471-0021-00	7,243,753.42	
<i>Sub-total</i>		<b>28,632,393.03</b>	
TOTAL LC			<b>5,627,000,974.95</b>
OCA	Various accounts		<b>539,758.04</b>
RCAO 7 (HOJ)			<b>59,838,214.70</b>
<b>TOTAL</b>			<b>7,093,768,617.73</b>

## 6. Receivables

### 6.1 Due from Officers and Employees – P37,782,055.28

DESCRIPTION	AMOUNT
SC PROPER	
General Fund	33,259.40
SAJ	396,046.93
JDF	4,213,965.32
<i>Sub-total</i>	4,643,271.65
LOWER COURT	
RTC	13,981,934.47
MTCC	11,235,214.96
MCTC	889,504.53
MTC	3,360,936.16
METC	3,611,793.51
<i>Sub-total</i>	33,079,383.63
PHILJA	59,400.00
<b>TOTAL</b>	<b>37,782,055.28</b>

- a. The amount of P30,669.25 under the General Fund represents the balance due from Mr. Francisco Gutierrez for a lost camera which is regularly deducted from his monthly salary. The balance of P2,590.15 represents salary overpayments of other court employees, collection of which could not be

implemented because the employees concerned are either retired, deceased or transferred to other government agencies.

- b. The balance of SAJ fund represents the receivable from Lower Courts.
- c. The balance of P4,213,965.32 of the JDF account represents cash shortages incurred by accountable officers of the Lower Courts, which are subject to restitution.
- d. The Lower Court balance consists of the P29,236,069.42 cash shortage based on Court Management Office audit findings and P3,843,213.21 salary overpayment of former judges and court personnel who either retired, resigned, AWOL or separated from the service without any clearance from the office.
- e. PHILJA account represents the amount for the conduct of Round Table Discussion and Seminar Workshop for Lawyers on Improved Use of International Labour Standards in the Judiciary held on November 10-12, 2010.

6.2 Due from National Treasury – *P36,272,238.51*

The bulk of the account consists of the beginning balance of *P32,342,907.86* as of January 31, 2010 under the Judicial Training Center (JTC); the charges of which pertain mostly to the receipt of Notice of Cash Allocation (NCA) and remittance of taxes thru Tax Remittance Advice (TRA). The details are shown as follows:

<b>FUND</b>		<b>AMOUNT</b>
<b>SC PROPER</b>		
General Fund	1,836,309.04	
SAJ	1,721,349.43	
JDF	344,172.18	
JTC	32,342,907.86	
<i>Sub-total</i>		36,244,738.51
<b>LOWER COURTS</b>		
RTC		20,000.00
<b>PHILJA</b>		7,500.00
<b>TOTAL</b>		<b>36,272,238.51</b>

The balance of P20,000.00 of the RTC is based on the CMO findings pertaining to Fiduciary Fund collection (bail bonds) erroneously received as General Fund collection and deposited to the BTr.

6.3 Due from NGAs – *P82,498,433.38*

This account represents cash transfers to other national government agencies. The breakdown is shown as follows:

<b>FUND</b>	<b>AGENCY</b>		<b>AMOUNT</b>
<b>SC PROPER</b>			
General Fund	Civil Service Commission	4,166.67	
	Court of Appeals	41,529,250.67	
	Sandiganbayan	2,018,274.20	
	Beginning balance	2,494,299.13	
<i>Sub-total</i>			46,045,990.67
JDF	Court of Tax Appeals		36,452,442.71
<b>TOTAL</b>			<b>82,498,433.38</b>

6.4 Due from GOCCs – *P108,970.00*

The Due from GOCCs balance of ₱108,970.00 pertains to salary overpayments of retired Lower Court (LC) employees which were deducted from their respective retirement gratuity benefits claimed and paid by the GSIS. The amount deducted should be remitted by the GSIS to the Office of the Court Administrator (OCA), as authorized by the concerned retired LC employees. The balance was transferred from the books of the LC to the SC proper per JEV No. 1393282 and Journal of Bills Rendered (JBR) dated April 2001.

6.5 Due from LGUs – *P109,401,477.32*

This account consists of the following balances shown below:

<b>FUND</b>		<b>AMOUNT</b>
<b>SC PROPER</b>		
General Fund	102,318.00	
JDF	23,275,221.06	23,377,539.06
<i>Sub-total</i>		
<b>LOWER COURTS</b>		
RTC	37,857,520.41	
MTCC	2,406,673.91	
MCTC	24,680,129.38	
MTC	16,464,566.70	
METC	4,615,047.86	
<i>Sub-total</i>		86,023,938.26
<b>TOTAL</b>		<b>109,401,477.32</b>

- a. The balance of *P102,318.00* refers to financial assistance to the DILG of P100,000.00 granted on May 18, 2005 for the national awardees of the 2004 Lupong Tagapamayapa Incentive Awards per Court En Banc Resolution dated February 8, 2005 while the amount of P2,318.00 was captioned as “Balance 2001 (various)”.

- b. The JDF balance of *P23,275,221.06* represents financial assistance to the following Local Government Units (LGU) for the construction/renovation/completion and/or restoration of the Hall of Justice buildings:

<b>Description</b>	<b>Amount</b>
Municipality of Argao, Cebu	P16,669,627.78
Municipality of Candaba, Pampanga	6,101,320.00
Municipality of Samsuan Pampanga	504,273.28
<b>Total</b>	<b>P 23,275,221.06</b>

Liquidation report from the Municipality of Candaba, Pampanga was received at the Accounting Division on August 7, 2010, while the liquidation report from the Municipality of Argao, Cebu was sent for review on March 20, 2009 to Mrs. Julieta Almeda, State Auditor IV, DPWH 1<sup>st</sup> Engineering district, Cebu City, per letter of Municipal Mayor Edsel A. Galeos dated August 17, 2010 to the Supreme Court.

Follow up letters were sent to these LGUs demanding for the immediate liquidation.

- c. The LC balance of *P86,023,938.26* pertains to fiduciary receipts deposited in the Municipal/Provincial Treasurers' Office (MTO/PTO) in areas where there are no LBP branches.

6.6 Due from Other Funds – *P8,809,075.01*

The composition of the account balance is shown below:

<b>FUND</b>	<b>AMOUNT</b>	
<b>SC PROPER</b>		
General Fund	353,961.53	
SAJ	251,330.85	
JDF	2,380,325.40	
UNDP	646.07	
MCLE	100,132.07	
<i>Sub-total</i>		3,086,395.92
<b>LOWER COURTS</b>		
RTC	37,939.57	
MCTC	6,000.00	
MTC	26,900.00	
<i>Sub-total</i>		70,839.57
PHILJA		5,651,839.52
<b>TOTAL</b>		<b>8,809,075.01</b>

- a. The balance of P353,961.53 refers to the transfer to the Special Allowance for Judiciary (SAJ) Fund for the refund of retirement gratuity under RA 9227 of a retired judge
- b. The balance of P251,330.85 of the SAJ refers to the receivables from the JDF, Fiduciary Fund and Lower Courts.
- c. A major part of the JDF balance in the amount of P2,294,649.25 refers to the beginning balance set-up relative to the implementation of the e-NGAS in March 2007.
- d. The MCLE balance pertains to the refund of cash advances deposited to Fiscal Autonomy Account (FAA) which is for reconciliation.
- e. The LC balance consists of Fiduciary Fund/Sheriff Trust Fund collections erroneously deposited to other funds.
- f. The PHILJA balance of P5,651,839.52 represents cash transfers to other funds:

<b>Account</b>	<b>Amount</b>
Due from Other Funds – PMC	P5,631,383.52
Due from Other Funds – JRSP WB Loan	1,500.00
Due from Other Funds – DOJ Fund	500.00
Due from Other Funds – SAJ Fund	18,456.00
Total	<u><b>P 5,651,839.52</b></u>

The bulk of the PHILJA receivable from other funds amounting to P5,631,383.52 represents collections of Mediation Fees for the account of PMC TF Rule 141 (PMC II) which was inadvertently deposited to the account of PMC Trust Fund (PMC I).

#### 6.7 Receivable-Disallowances/Charges – P536,936.17

The balance of *Receivables-Disallowances/Charge* account pertains to disallowances issued by the COA and Supreme Court which remain unsettled at year-end, broken down as follows:

<b>FUND</b>	<b>AMOUNT</b>	
<b>SC PROPER</b>		
General Fund	284,500.43	
JDF	216,047.71	
JRP	29,737.00	
<i>Sub-total</i>		530,285.14
<b>LOWER COURTS</b>		
RTC		6,651.03
<b>TOTAL</b>		<b>536,936.17</b>

Some of these balances are continuously being deducted from the salary of the officials and employee's concerned. A major part of the JDF balance is the receivable from the Municipality of Buguias, Benguet representing disallowance in audit, covered by Notice of Disallowance issued by the Regional and Adjudication Office, COA, CAR in the amount of P207,835.21, which is final and executory. A demand letter was sent to the municipal mayor of Buguias, Benguet requiring settlement of the disallowance. The balance of LC-RTC disallowance was brought forward since 1997 thus no list per personnel can be provided.

6.8 Advances to Officers and Employees – P4,048,656.82

This account consists of advances for official travels of Court officials and employees and cash advances of Disbursing Officers for special purposes. The breakdown is shown hereunder:

FUND	AMOUNT	
SC PROPER		
General Fund	P2,867,439.07	
JDF	5,575.00	
JRP	45,592.00	
UNDP	(310.00)	
MCLE	30,638.43	
WB-JRSP	269,974.00	
SC-GOP Counterpart Fund	36,240.80	
<i>Sub-total</i>		P3,255,149.30
LOWER COURTS		
RTC	144,761.37	
MTCC	19,600.00	
MTC	32,861.00	
SCC	1,500.00	
SDC	8,800.00	
<i>Sub-total</i>		207,522.37
RCAO		5,895.00
PHILJA		580,090.15
<b>TOTAL</b>		<b>P4,048,656.82</b>

Out of the balance, P1,892,972.14 was liquidated as of the March 31, 2011.

6.9 Other Receivables —P36,699,982.03

The *Other Receivables* balance of P36,699,982.03 is a collation of the accounts of the following:

<b>FUND</b>	<b>AMOUNT</b>	
SC PROPER		
General Fund	17,527,512.92	
JDF	19,146,660.62	
JRP	100.00	
<i>Sub-total</i>		36,674,273.54
LOWER COURTS		
MTCC	16,752.36	
MCTC	7,845.00	
METC	1,111.13	
<i>Subtotal</i>		25,708.49
<b>TOTAL</b>		<b>36,699,982.03</b>

It consists of the following:

- a. A major part of the GF balance pertains to the subsidy to the Integrated Bar of the Philippines (IBP) amounting to P16,023,412.65.
- b. The balance of JDF comprises the following unpaid loans of qualified Court employees:

Motorcycle Loan	P 8,116,338.04	
Computer Loan -		
Supreme Court Officials/Employees	7,069,795.66	
Handgun Loan	<u>3,905,964.56</u>	P19,092,098.26
Computer Loan -		
Court of Appeals Officials/Employees		25,000.00
Others		<u>29,562.36</u>
 Total		 <u>P19,146,660.62</u>

- c. The Lower Courts' balance of P25,708.49 was the balance forwarded since 1997.

## 7. Inventories

### 7.1 Office Supplies Inventory – P350,473,710.52

The Office Supplies Inventory account consists of the following balances maintained in various books of accounts:

<b>FUND</b>		<b>AMOUNT</b>
SC PROPER		
General Fund	32,372,604.52	
JDF	2,810.00	
<i>Sub-total</i>		32,375,414.52
LOWER COURTS		
RTC	196,371,636.59	
MTCC	38,614,343.80	
MCTC	24,152,894.60	
MTC	35,575,682.74	
METC	14,505,037.18	
SCC	4,250,427.96	
SDC	493,328.34	
<i>Sub-total</i>		313,963,351.21
OCA		552,434.00
RCAO7		1,960.00
PHILJA		3,580,550.79
<b>TOTAL</b>		<b>350,473,710.52</b>

#### 7.2 Accountable Forms Inventory – P25,629,252.10

The Accountable Forms Inventory account refers to the cost or appropriate value of accountable forms acquired/requisitioned for use in the course of government operations and/or sale as follows:

<b>FUND</b>	<b>QUANTITY</b>		<b>AMOUNT</b>
SC PROPER			
General Fund			
Beg. balance		168,646.00	
OR with RP seal	30,000 pads	4,575,000.00	
Check booklet		823,473.52	
CFC	630,000 pcs	8,134,582.82	13,701,702.34
SAJ			6,600.00
JDF			6,370,500.00
<i>Sub-total</i>			<b>20,078,802.34</b>
LOWER COURTS			
RTC		3,877,334.05	
MTC		170,805.71	
<i>Sub-total</i>			<b>4,048,139.76</b>
PHILJA			<b>1,502,310.00</b>
<b>TOTAL</b>			<b>25,629,252.10</b>

#### 7.3 Drugs and Medicine Inventory – P1,789,010.64

The Drugs and Medicines Inventory account pertains to unissued drugs and medicines as of year-end.

#### 7.4 Other Supplies Inventory – P113,987,845.99

The Other Supplies Inventory account includes semi-expendable supplies purchased during the previous years like items of printing, spare parts, medical and dental and other maintenance supplies recorded in the following books:

<b>FUND</b>		<b>AMOUNT</b>
SC PROPER		
General Fund	85,870,876.94	
JDF	1,843,909.60	
JTC	8,800.00	
<i>Sub-total</i>		87,723,586.54
LOWER COURTS		
RTC	14,718,121.86	
MTCC	3,720,811.65	
MCTC	414,543.46	
MTC	2,180,561.05	
METC	4,239,340.76	
SCC	602,992.12	
SDC	76,359.80	
JURISCONSULT	232,910.25	
<i>Sub-total</i>		26,185,640.95
PHILJA		78,618.50
<b>TOTAL</b>		<b>113,987,845.99</b>

#### 8. Advances to Contractors

These advance payments made to contractors are equivalent to 15 % mobilization fee of the contract price of infrastructure projects, not yet repaid/recouped as of year-end. Details are shown below:

<b>FUND</b>		<b>AMOUNT</b>
SC PROPER		
General Fund	2,019,142.64	
JDF	1,789,735.16	
WB-JRSP	13,960,717.17	
JNPGA	(1,812,102.07)	
<i>Sub-total</i>		15,957,492.90
PHILJA		29,226.44
<b>TOTAL</b>		<b>15,986,719.34</b>

- a. The balances of the General Fund, JDF and WB-JRSP represents the 15% mobilization fee of the contract price of the following infrastructure projects, not yet repaid/recouped as of year-end, to wit:

<u>Contractors</u>	<u>Amount</u>
<b>General Fund</b>	
E.P. Cornejo Construction	(0.10)
OCM Steel Corporation	1,904,661.49
Open Builders and Supply	114,481.25
<b><i>Total General Fund</i></b>	<b>P2,019,142.64</b>
<b>JDF</b>	
Aquino Dela Cruz Engineering	213,539.87
Conrado Bautista	0.03
Ferrer Construction and Engineering Services	(0.45)
Gulf Builders	962,966.47
Marquez ad Sons Construction Inc.	(0.20)
Mayokins Construction	17,413.83
R.G. Macaspac Construction and Engineering Consultant	531,573.03
RB Soriano Construction	22,212.47
Ritvit Construction and Development Corporation	42,030.12
Terp Asia Corporation	(0.01)
<b><i>Total JDF</i></b>	<b>1,789,735.16</b>
<b>WB-JRSP</b>	
China State Construction Engineering Corp. (Construction/renovation of Angeles City HOJ)	13,024,717.16
Mactan Electric Company, Inc. (Deposit for light and power of Lapu-Lapu HOJ)	936,000.00
TCGI Engineers (Project Management Supervision of Angeles City HOJ )	0.01
<b><i>Total WB-JRSP</i></b>	<b>₱13,960,717.17</b>

- b. The PHILJA balance of P29,226.44 represents the advance payment made to BAYAN Telecommunication, Inc. (Bayantel) and Philippine Long Distance Telecommunication (PLDT) in line with the installation of telephone lines at the Philippine Mediation Center Office (PMCO) and other PMC units nationwide.

## 9. Guaranty Deposits

The balance pertains to amounts deposited in compliance with various contracts/agreements which will be refunded upon their termination, to wit:

a. Deposits to Manila Electric Company for the provision of electric service at the PHILJA Training Center in Tagaytay City	P1,246,650.00
b. Deposits to Edvic's Petron Service Center for petroleum products needs and repairs and maintenance	200,000.00
c. Deposits to Maynilad Water Services, Inc. for water services of the SCP	100,000.00
d. Deposit to Dagupan Electric Corporation for the additional power load of the Dagupan Pangasinan Hall of Justice	106,141.00
e. For reconciliation	386,690.00
<i>Total</i>	<b>P2,039,481.00</b>

## 10. Investment in Treasury Bills

Investment in Securities is recorded at transaction cost. This represents Investment in Treasury Bills with the Land Bank of the Philippines with issue date of June 16, 2010 and maturity date of June 15, 2011. The face value of the investment is P103,439,000.00 with 357 days term and 4.400% yield, and the market value is P102,765,445.87.00.

## 11. Property, Plant and Equipment

11.1 Purchase of various PPE resulted in an increase of P165,254,905.28 broken down as follows:

<b>Property, Plant and Equipment</b>	<b>Amount</b>
Office Buildings	₱ 57,180,984.96
Other Structures	121,191.96
Office Equipment	5,773,462.57
Furniture and Fixtures	6,761,324.50
IT Equipment and Software	70,676,106.85
Library Books	4,189,038.39
Communication Equipment	553,168.40
Firefighting Equipment and Software	225,711.08
Medical, Dental and Laboratory Equipment	109,001.04
Motor Vehicles	10,932,896.35
Other Machinery and Equipment	8,731,767.18
Other Property, Plant and Equipment	252.00
<b>TOTAL PPE Purchases</b>	<b>₱ 165,254,905.28</b>

The increase in IT Equipment and Software account of the Lower Court consists of donation from the United States Agency for International Development Agency (USAID) and the American Bar Association through PHILJA of 22 units desktop computers with printer and 22 units of laptop computers with printer for each of the 44 Small Claims Pilot Courts nationwide amounting to P2,918,740.00.

11.2 Detailed breakdown of Accumulated Depreciation account are as follows:

<b>PPE</b>	<b>2010</b>	<b>2009</b>
Land Improvements	135,675.00	135,675.00
Office Buildings	299,572,831.47	242,391,846.51
Other Structures	594,881.68	473,689.72
Office Equipment	75,329,153.25	69,555,690.68
Furniture and Fixtures	23,308,686.15	16,547,361.65
IT Equipment and Software	451,862,790.55	381,186,683.70
Library Books	29,720,950.81	25,531,912.42
Communication Equipment	3,892,937.82	3,339,769.42
Firefighting Equipment and Software	1,312,114.66	1,086,403.58
Medical, Dental and Laboratory Equipment	630,856.97	521,855.93
Other Machinery and Equipment	40,838,116.92	32,106,349.74
Motor Vehicles	57,230,436.84	46,297,540.49
Other Property, Plant and Equipment	966.00	714.00
<b>TOTAL</b>	<b>984,430,398.12</b>	<b>819,175,492.84</b>

11.3 Construction in Progress- Agency Assets

The balance of this account is broken down as follows:

<b>Fund</b>	<b>Amount</b>
General Fund	P 81,250,105.81
JDF	42,407,497.41
WB-JRSP	178,031,165.81
JTC	8,761,558.31
JNPGA	294,911,730.19
<b>Total</b>	<b>P605,362,057.53</b>

The P178,031,165.81 of the WB-JRSP represents the cost of works and other related expenditures in the construction/renovation of Lapu-Lapu City and Angeles City Hall of Justice (HOJ). Contract between China State Engineering and Construction Corporation and the Supreme Court for the construction and renovation of Angeles City HOJ was terminated with finality last July 20, 2010 with accomplishment and completion rate of 44.65% as of December 31, 2010. After the termination, the Supreme Court bidded out the completion of the works in said HOJ. As soon as the JRSP's extension is

approved, the contract for the “Completion of the Construction/Renovation of the Angeles Hall of Justice” and the contract for consultancy services for the “Construction Management and Supervision Services” for the said HOJ shall be signed.

## 12. Current Liabilities

### 12.1 Accounts Payable –P75,147,622.58

This account consists of the following:

<b>FUND</b>		<b>AMOUNT</b>
<b>SC PROPER</b>		
General Fund	3,742,189.33	
JDF	56,044,763.00	
JRP	1.01	
WB-JRSP	14,512,383.59	
<i>Sub-total</i>		74,299,336.93
<b>LOWER COURTS</b>		
RTC	643,466.81	
MTC	125,399.03	
<i>Sub-total</i>		768,865.84
PHILJA		79,419.81
<b>TOTAL</b>		<b>75,147,622.58</b>

### 12.2 Due to Officers and Employees – P10,734,999.71

The Due to Officers and Employees account represents the following:

<b>FUND</b>	<b>REMARKS</b>		<b>AMOUNT</b>
<b>SC PROPER</b>			
General Fund	Payment of daily wages, OT of BAR personnel, HOJ personnel salary	849,370.68	
SAJ		615,846.65	
JDF		294,727.50	
JRP	Forwarded balance for reconciliation	2,639.00	
SC-GOP Counterpart Fund for Grants		23,300.00	
<i>Sub-total</i>			1,785,883.83
<b>LOWER COURTS</b>	Salaries & allowances		
RTC		2,989,423.97	
MTCC		1,720,610.99	
MCTC		897,275.75	
MTC		443,186.21	
METC		311,277.67	
SCC		85,501.35	
SDC		53,947.26	
<i>Sub-total</i>			6,501,223.20

<b>FUND</b>	<b>REMARKS</b>	<b>AMOUNT</b>
OCA	Salaries & allowances	2,438,143.44
PHILJA	Cancellation of checks issued	9,749.24
<b>TOTAL</b>		<b>10,734,999.71</b>

12.3 Due to BIR – P (103,239,963.37)

Breakdown of this account is as follows:

<b>FUND</b>	<b>AMOUNT</b>
<b>SC PROPER</b>	
General Fund	P(30,675,112.95)
Judicial Reform Program (JRP)	137,165.91
United Nations Development Program (UNDP)	23,941.42
Mandatory Legal Continuing Education	600.00
Judiciary Development Fund (JDF)	1,652,385.43
World Bank-Judicial Reform Support Project (WB-JRSP)	1,889,602.00
Judicial Training Center (JTC)	12,327.44
UNDP-Internally Displaced Persons Project (UND-IDPP)	444.59
SC-GOP Counterpart Fund-Grants	2,044.55
UNDP Grant	184,436.12
<b>LOWER COURTS</b>	(26,772,165.49)
<b>OFFICE OF THE COURT ADMINISTRATOR</b>	(77,287,486.17)
<b>PHILIPPINE JUDICIAL ACADEMY</b>	0.03
	819,688.26
<b>TOTAL</b>	<b>P(103,239,963.37)</b>

- a. The negative balance of the SC Proper is due to the over remittance of P25,520,640.00 representing taxes for the month of April 2010 caused by system error. A letter to the BIR requesting for the immediate refund of the aforesaid amount was forwarded to the agency on June 30, 2011.
- b. For the World Bank-JRSP account, it includes the beginning balance of P1,802,434.14 and this is subject of reconciliation between the Accounting Division, FMBO and the PMO. Amount remitted in January 2011 is P198,236.36.
- c. For SC-GOP Counterpart Fund, an adjustment was made on January 31, 2011 for the cancellation of a check amounting to P2,325.00, leaving this account with a negative balance of P280.45.

- d. For the UNDP Grant, the balance was likewise remitted to the BIR in January 2011.
- e. For MCLE & JTC, these are e-NGAS beginning balances, which are subject to further verification.
- f. The negative balance of the Lower Courts represents tax refund for 2008 to lower court personnel which will be taken up in the TRA in July 2011, per approved NCA released by the DBM.
- g. For PHILJA, tax remittance made in January 2011 was P432,958.51 while the amounts of P343,290.41 and P43,439.34 pertain to balances as of March 31, 2007 to December 31, 2010 and as of April 1, 2007 to December 31, 2008, respectively. These amounts are being verified and coordinated by the PHILJA Accounting Division with the SC Accounting Division.

12.4 Due to GSIS – *P(68,524,563.91)*

The account refers to the over remittance of amounts withheld from Court officials and employees who had either resigned, retired, transferred to other government agencies and those with insufficient leave credits. The Court and the GSIS is currently reconciling their records.

12.5 Due to PAG-IBIG – *P(63,403.11)*

The Due to PAG-IBIG balance refers to the amounts withheld from officers and employees and government share remitted to the Home Development Mutual Fund (HDMF) consisting of the following:

	<b>SC</b>	<b>LC</b>	<b>Total</b>
Contributions	P(165,944.08)	P (2,102,151.47)	P(2,268,095.55)
Multi-purpose loan	(173,632.42)	2,438,131.03	2,264,498.61
Housing Loan	(50,239.40)	(17,934.96)	(68,174.36)
Emergency Loan	-	(9,932.61)	(9,932.61)
For reconciliation	(64,792.70)	83,093.50	18,300.80
<b>Total</b>	<b>P(454,608.60)</b>	<b>P 391,205.49</b>	<b>P (63,403.11)</b>

12.6 Due to PHILHEALTH – *P11,681,924.19*

The balance refers to the contribution due/amount withheld for remittance to the Philippine Health Insurance Corporation which is composed of the following:

<b>FUND</b>	<b>AMOUNT</b>	
SC PROPER		
General Fund		7,469,347.30

<b>FUND</b>	<b>AMOUNT</b>	
LOWER COURT		
RTC	3,256,200.45	
MTCC	(402,696.56)	
MCTC	835,249.23	
MTC	637,907.81	
METC	(155,009.22)	
SCC	15,554.25	
SDC	18,771.24	
JURISCONSULT	6,599.69	
<i>Sub-total</i>		4,212,576.89
<b>TOTAL</b>		<b>11,681,924.19</b>

12.7 Due to Other NGAs – P619,852.67

The balance refers to the amounts withheld from salary of officers and employees who transferred from other National Government Agencies which are remitted by the SC to settle their accountabilities and overpayment of salary. It is composed of the following:

<b>FUND</b>	<b>AMOUNT</b>	
SC PROPER		
General Fund		(64,470.73)
LOWER COURTS		
RTC	262,813.50	
MTCC	2,043.44	
MCTC	265,033.32	
MTC	124,561.28	
METC	(66,272.26)	
SCC	16,225.50	
SDC	(1,546.91)	
<i>Sub-total</i>		602,857.87
OCA		81,465.53
<b>TOTAL</b>		<b>619,852.67</b>

12.8 Due to Other GOCCs – P(729,368.75)

The negative balance of the account is composed of the following:

<b>FUND</b>	<b>AMOUNT</b>	
SC PROPER		
General Fund		P (310,619.12)
LOWER COURTS		
RTC	P (201,196.14)	
MTCC	(161,080.54)	
MCTC	576.29	

<b>FUND</b>	<b>AMOUNT</b>	
MTC	(156,657.25)	
METC	100,079.96	
SCC	(471.95)	
<i>Sub-total</i>		(418,749.63)
<b>TOTAL</b>		<b>P (729,368.75)</b>

This account represents the amounts withheld from salary of officials and employees of SC and LC and remitted for the account of National Home Mortgage Finance Corporation. The negative balances of SC and LC refer to the old account, Due to Other GOCCs (432), reclassified to new account, Due to Other GOCCs (417), in the SC books and the forwarded balance from prior years in the LC books which is for verification and reconciliation.

12.9 Due to LGUs – P262,010.17

The balance refers to the prior years' forwarded balance, for remittance to the LGUs representing the amount received or withheld from the salaries, RATA, allowances and bonuses of the incumbent LC officials and employees who were previously employed by the respective/concerned LGUs.

12.10 Due to Other Funds – P 7,543,347.67

The Due to Other Funds account consists of the following:

<b>FUND</b>	<b>AMOUNT</b>	
<b>SC PROPER</b>		
General Fund	2,390,010.45	
SAJ	1,438,377.82	
JDF	2,368,994.94	
JRP	33,587.89	
MCLE	21,202.40	
WB-JRSP	30,000.00	
UNDP-IDPP	23,649.80	
<i>Sub-total</i>		6,305,823.30
<b>LOWER COURTS</b>		
RTC		37,939.57
PHILJA		1,199,584.80
<b>TOTAL</b>		<b>7,543,347.67</b>

12.11 Guaranty Deposits Payable – P44,831,099.39

This account pertains to the liability arising from the 10% cash received/retained to guarantee performance of contract by the supplier/contractor of Court’s personnel uniform, repair/rehabilitation of HOJ, Court’s buildings and facilities, installation and supply of furniture & fixtures and equipment, details as follows:

<b>FUND</b>		<b>AMOUNT</b>
<b>SC PROPER</b>		
General Fund	2,460,009.66	
JDF	3,802,666.75	
WB-JRSP	19,821,415.57	
JNPGA	18,555,517.41	
SC-GOP COUNTERPART FUND	129,520.00	
<i>Sub-total</i>		44,769,129.39
<b>LOWER COURT</b>		
MTCC		61,970.00
<b>TOTAL</b>		<b>44,831,099.39</b>

12.12 Performance/Bidders/Bail Bonds Payable – P6,779,686,589.69

This account pertains to cash bond received to guarantee faithful performance of contracts with the government, bidders bonds, bail bonds, rental deposits, consignment and other fiduciary fees collected by the Court. These are classified as trust receipts of the Court under the accountability of the Clerks of Court (COC) stationed nationwide. Disposition of the fiduciary receipts is dependent upon the order of the Court. The details of which are shown as follows:

<b>FUND</b>		<b>AMOUNT</b>
<b>SC PROPER</b>		
General Fund	Performance Bonds (Acct Code 427-001)	4,704,680.24
	Bidders Bonds (Acct Code 427-002)	7,643,638.91
	Bail Bonds (Acct Code 427-003)	(2,242,000.00)
	Acct Code 427-099 (for reconciliation per schedule from SCP Accounting Division)	10,630,495.41
<i>Sub-total</i>		20,736,814.56
<b>LOWER COURTS</b>		
RTC	Bail Bonds	5,468,731,723.66
MTCC	Bail Bonds	344,409,361.83

<b>FUND</b>		<b>AMOUNT</b>	
MCTC	Bail Bonds	195,521,023.19	
MTC	Bail Bonds	266,384,958.49	
METC	Bail Bonds	437,471,891.98	
SCC	Bail Bonds	3,600.00	
SDC	Bail Bonds	271,200.00	
<i>Sub-total</i>			6,712,793,759.15
OCA			46,106,809.98
RCAO 7			49,206.00
<b>TOTAL</b>			<b>6,779,686,589.69</b>

12.13 Tax Refund Payable – P98,663,087.83

<b>FUND</b>	<b>AMOUNT</b>
<b>LOWER COURTS</b>	
RTC	57,604,565.53
MTCC	11,054,925.28
MCTC	13,063,217.70
MTC	10,628,626.95
METC	5,023,930.71
SCC	1,066,601.84
SDC	174,874.19
JURISCONSULT	46,345.63
<b>TOTAL</b>	<b>98,663,087.83</b>

This account pertains to the amount of tax refunds due to cancellation of lost/stale checks of various officers and employees of the Court.

12.14 Other Payables – P88,523,170.95 are shown below:

<b>FUND</b>	<b>AMOUNT</b>	
<b>SC PROPER</b>		
General Fund	40,301,292.55	
SAJ	193,206.21	
JDF	2,920,981.44	
UNDP	0.30	
WB-JRSP	50.40	
JTC	203,388.19	
UNDP-IDPP	4,000.00	
<i>Sub-total</i>		43,622,919.09
<b>LOWER COURTS</b>		
RTC	5,410,834.05	
MTCC	6,312,640.44	
MCTC	8,524,679.06	
MTC	6,115,549.00	
METC	2,728,654.75	
SCC	134,941.27	
SDC	(48,087.57)	

JURISCONSULT	10,692.28	
<i>Sub-total</i>		29,189,903.28
OCA		15,541,909.38
PHILJA		168,439.20
<b>TOTAL</b>		<b>88,523,170.95</b>

These are authorized deductions from employees' salaries and other benefits for payment of individual employee's contributions or obligations to savings and loans associations, health and welfare fund, contributions to employees association and accredited insurance companies. It also includes amount of cancelled checks due for replacement.

### 13. Prior Years' Adjustments – P313,978,722.40

<b>Particulars</b>	<b>Amount</b>
Dropped/settled property accountability of employees	P(3,874,953.27)
Other supplies dropped/settled accountability	(100,395.50)
Booked-up prior years' expenses/obligations	(39,982,035.39)
Refund of cash advances and overpayment of salaries/allowances and other accountabilities	(1,121,402.10)
Liquidation of cash advances	(14,239,041.52)
Cancelled checks issued in PY	210,218.24
Booked-up prior year's income (net of adjustments)	31,777,726.76
Reclassification of various accounts	62,247.99
Prior years' tax withheld	1,423,083.29
Booked-up prior years' office supplies	(424,712.80)
Booked-up prior years' depreciation	100,961.83
Booked-Up Prior Years' Depreciation due to donation	(43,781.10)
Prior years' Interest Income	(2,319,126.18)
Prior years' Adjustment of Other Accounts	2,640,645.41
Issuance/Transfer of Properties/Inventories	(5,839,446.54)
Booked-Up Medical & Dental Supplies	716,038.70
Withdrawal of erroneous deposits	(278,502.15)
Replaced cancelled checks	(51,158.33)
Booked-up prior years' collections	345,322,355.06
<b>TOTAL</b>	<b>P313,978,722.40</b>

**14. Subsidy Income from National Government – P13,493,694,115.62**

NCA received from DBM for payment of expenses for agency operational requirements	P13,033,645,787.68
Notice of Cash Availment Authority (NCAA)	36,239,079.03
Tax Remittance Advice (TRA) issued to BIR	495,693,174.25
Total SING before reversion	13,565,578,040.96
Less: Reversion of Unused NCA	71,883,925.34
<b>Total SING after reversion</b>	<b>P13,493,694,115.62</b>

**15. Allotments, Obligations and Balances (Net of TLRG)**

During the year, the agency had total appropriation of P12,694,722 broken down as follows:

2010 General Appropriations Act./R.A. No 9498	P11,158,172,000
Special Allotment Release Order(MPBF)	748,402,000
Automatic Appropriations	696,274,000
Continuing Appropriations (2009)-inclusive of projects	91,874,000
<b>Total Appropriations/Allotment</b>	<b>P12,694,722,000</b>

**16. Statement of Allotment, Obligations and Balances (in Philippine Peso)**

Category	PS	MOOE	CO	TOTAL
<b>Allotment</b>				
Extended–CY 2009	3,922,000.00	35,617,000.00	52,335,000.00	91,874,000.00
Current	9,462,819,000.00	3,028,941,000.00	111,088,000.00	12,602,848,000.00
<b>Total Allotment</b>	<b>9,466,741,000.00</b>	<b>3,064,558,000.00</b>	<b>163,423,000.00</b>	<b>12,694,722,000.00</b>
<b>Obligations</b>				
Extended-CY 2009	0	0	0	0
Current	9,614,174,471.66	2,832,049,928.84	110,937.00	12,446,335,337.50
<b>Total Obligation</b>	<b>9,614,174,471.66</b>	<b>2,832,049,928.84</b>	<b>110,937.00</b>	<b>12,446,335,337.50</b>
<b>Balance</b>				
Extended-CY 2009	3,922,000.00	35,617,000.00	52,335,000.00	91,874,000.00
Current	(151,355,471.66)	196,891,071.16	110,977,063.00	156,512,662.50

## PART II - OBSERVATIONS AND RECOMMENDATIONS

The balance of Cash Collecting Officers account of P933,362,538.40 as of December 31, 2010 was of doubtful validity due to the inclusion of the collection of the Lower Courts (LC) totaling P706,567,502.38 which could not be validated because of the absence of a complete listing of individual collecting officers by regions to support the recorded balance per ledger contrary to Section 12 of the Manual on the New Government Accounting System, Volume II. Furthermore, there were findings by the Court Management Office of unrecorded collections of P10,025,122.83 and deposit of P75,513,288.17 at the Lower Courts.

1. Section 12 of the Manual on the New Government Accounting System for National Government Agencies, Volume II, provides that “*Subsidiary Ledger (SL). The SL is a book of final entry containing the details or breakdown of the balance of the controlling account appearing in the GL. Postings to the SL generally come from the source documents. Examples of GL accounts which have SL are Cash-Collecting Officers, xxx. The totals of the SL balances shall be reconciled with their respective control account regularly or at the end of each month. Schedules shall be prepared periodically to support the corresponding controlling GL accounts. xxx.*”
2. Individual SL should be maintained for the Cash-Collecting Officers account for internal control purpose and to present the account details. Likewise, sound accounting practice requires that the accountant and the collecting officers should reconcile their cashbook balances at least quarterly to check the accuracy of both records.
3. The balance of the Cash – Collecting Officers account in the total amount of P933,362,538.40 represents the undeposited collections of the Supreme Court and Lower Courts as of December 31, 2010, broken down as follows:

DESCRIPTION	AMOUNT
<b>SC PROPER</b>	
General Fund	64,753.92
SAJ	1,205,361.57
JDF	49,838,111.95
<i>Sub-total</i>	<b>51,108,227.44</b>
<b>LOWER COURTS</b>	
RTC	732,195,077.60
MTCC	56,028,069.31
MCTC	49,351,487.50
MTC	30,990,920.89
METC	11,052,082.93
SCC	4,050.00

<b>DESCRIPTION</b>	<b>AMOUNT</b>
SDC	(4,343.16)
<i>Sub-total</i>	<b>879,617,345.07</b>
<b>OCA</b>	25,200.00
<b>RCAO 7</b>	1,729,305.26
<b>PHILJA</b>	882,460.63
<b>TOTAL</b>	<b>933,362,538.40</b>

4. Verification of the Lower Court's subsidiary ledger balance of Cash Collecting Officers account with a balance of P879,617,345.07 disclosed an account "Cash Collecting Officers- General" totaling P706,567,502.38 as of December 2010. The breakdown of which are as follows:

<b>Name of Court</b>	<b>12/31/07</b>	<b>12/31/08 (same in 2009)</b>	<b>12/31/10</b>
RTC	610,293,409.44	614,428,438.44	614,425,438.44
MCTC	35,960,084.94	35,960,084.94	35,960,084.94
MTCC	45,537,933.03	45,537,933.03	42,363,994.53
MTC	13,817,984.47	13,817,984.47	13,817,984.47
<b>Total</b>	<b>705,609,411.88</b>	<b>709,744,440.88</b>	<b>706,567,502.38</b>

5. Interview made with the former Acting Chief of Accounting Division, OCA, stated that in the implementation of the e-NGAS all accounts of Cash Collecting Officers which cannot be classified to what region it pertains were taken up in the books as "General" for further verification. From the above table, we observed that there was an increased of undeposited collections from P705,609,411.88 in December 2007 to P706,567,502.38 as of December 31, 2010 or no reconciliation of the accounts had been made to determine who of the Clerk of Courts in the Lower Courts per region had undeposited collections.
6. Moreover, subsidiary ledger balances of Cash Collecting Officers per region for the past four years from CY 2007-2010, as shown in Annex C revealed an increase of undeposited collections every year due to the following:
- setting up of cash shortage by crediting the Cash Collecting Officers account in the amount of P10,025,122.83 resulting to a negative balance in MTCC – Region 9 which could be unrecorded collections in the case of Ms. Eladia Cunting and Mr. Abraham Hakim, COC of Zamboanga City wherein the former was already dismissed from service since July 2007;
  - no reconciliation statement of deposits prepared by CMO to support its financial audit findings such as the case of COC of RTC, Lianga, Surigao del

Sur, Region XI amounting P58,575,099.77 and COC of RTC, Imus Cavite, Region IV amounting to P16,938,188.40 or a total of P75,513,288.17;

- c. non-recording of collections and deposits due to delayed in the submission of reports of collections and deposits resulting in misstatement of the Cash Collecting Officers Account ;
  - d. existence of an outstanding subsidiary balance pertaining to the collections for 2009 of RTC, MTC, MCTC, and MTCC all of Region VII in the books of Lower Courts which showed no record of deposits made; and
  - e. absence of individual SL for the Cash- Collecting Officers account to verify the whereabouts of the balance.
7. Management commented that Clerk of Courts/ Accountable Officers are mandated to submit monthly financial reports on SAJ, JDF, FF, STF to the Revenue Section, Accounting Division, OCA-FMO pursuant to Court Circular. These reports are evaluated, encoded to SL per AO in the Revenue Monitoring System (RMS) and a Summary of Collections, Deposits and Withdrawals for FF/STF per region is submitted to the Bookkeeping Section, Accounting Division. Prior to the adoption of the e-NGAS in 2007, recording of Cash - Collecting Officers in the books of accounts was not categorized by region. When the use of the e-NGAS was implemented, it was agreed upon with the COA Officers that SL per fund and per accountable officer would be retained in the RMS and will not be converted to the e-NGAS due to the numerous accountable officers (1,843). However, an SL account would be required before access to the Cash - Collecting Officers account in the e-NGAS could be made. It was further agreed that there would still be a need for an SL account in the e-NGAS but the same will already be per region. Considering that it will be impossible to breakdown the lumped amount in the Cash Collecting Officers account per region under the NGAS, it was agreed that the said amount be classified under “General”, provided that the subsequent transactions affecting the Cash Collecting Officers under the e-NGAS would already be on a per region and per court basis.
8. We are of the opinion that the agreement with the Management and COA Officers in charged of the e-NGAS does not mean that the amount classified under the caption of Cash-Collecting Officers - “General” will not be analyzed and classified as to what region this shall be included. Although the deposits are in the bank, the deposits per SL prior to e-NGAS under “General” caption will not be posted/credited and the balance of the account will not be reduced.
9. Regarding the reconciliation reports submitted by CMO, it is the duty of the Accounting Division to review, evaluate and analyze the report before recording in the books of accounts. Any discrepancy or lacking information shall be communicated with the concerned office or personnel.

10. We recommend that Management should:
  - a. create a team to analyze the accounts of the LC and identify the accountable clerk of courts in the subsidiary ledger balances of Cash-Collecting Officers and make the necessary adjustments for deficiencies noted and thereafter, maintain individual SL for each accountable officer to support the GL balance;
  - b. require the CMO to include the preparation of a reconciliation statement of deposits made by the accountable officer to support the results of its audit findings and submit to the Accounting Division for verification and recording of proper adjustments in the books of accounts;
  - c. revisit, evaluate and strengthen the existing collection and deposit system to facilitate the monitoring of unrecorded collections and undeposited collections; and
  - d. effect the decentralization of collection and deposit system in the regions as an alternative control.
  - e. take up in the books the unrecorded collections of the COC of Zamboanga City;

***Misstated Balance of Cash in Bank–Local Currency, Current Account – P503 Million***

**The book balance of the Cash in Bank–Local Currency, Current Account as of December 31, 2010 in the amount of P503,423,234.33 does not agree with the bank balance of P703,637,868.65 or a difference of P202,516,374.06 which aside from outstanding checks, consists mostly of stale and cancelled checks, unrecorded bank debit and credit memos and other reconciling items totaling P 141,472,491.35 which remained unadjusted.**

11. Cash in Bank – Local Currency, Current Account (111) is used to record deposits/withdrawals of local currency in current account maintained with AGDBs.
12. Section 74 of P.D. No. 1445 states that

"At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency".
13. Further, Paragraphs 2.1.2 and 4.0 of COA Circular No. 92-125-A require the preparation of the Bank Reconciliation Statement (BRS) within fifteen (15) days after receipt of the bank statements and the immediate preparation of correcting/adjusting entries for discrepancies/errors or other reconciling items by

the agency's Chief Accountant immediately after BRS were made and after these items were properly analyzed and verified.

14. The BRS is prepared monthly to disclose any error or irregularity in either books of the bank and those of the agency. The reconciliation of both balances would yield correct cash balances as of a particular date.
15. Comparison of balances per books and bank revealed a difference of negative P202,516,374.06 as of December 31, 2010 as shown in the succeeding table:

<i>Account Names/Numbers</i>	<i>Per Book</i>	<i>Per Bank</i>	<i>Difference</i>
SC-GF, LC, OCA, PHILJA, Other Special Projects	289,756,566.39	426,895,749.34	(137,139,182.95)
JDF	85,042,657.57	107,946,334.69	(22,903,677.12)
SAJF	126,322,270.63	168,795,784.62	(42,473,513.99)
RCAO 7	2,301,739.74	Unconfirmed accounts	
<b>Total</b>	<b>503,423,234.33</b>	<b>703,637,868.65</b>	<b>(202,516,374.06)</b>

16. Verification disclosed that the year-end Cash in Bank-Local Currency, Current Account (CIB-LCCA) of the Court was misstated due to non-recording/uncorrected reconciling items in the books such as unadjusted stale checks, bank debit and credit memos and other uncorrected book errors.

*Supreme Court-General Fund (SC-GF), Lower Court (LCt), Office of the Court Administrator (OCA), Philippine Judiciary Academy (PHILJA), Other Special Projects*

17. The balance of CIB-LCCA as of year-end totaled to P289,756,566.39 while bank balance per bank confirmation/certification amounted to P426,895,749.34, or a difference of P137,139,182.95 as shown in the following table:

<i>Account Names/Numbers</i>	<i>Per Book</i>	<i>Per Bank</i>	<i>Difference</i>
<b>Beginning/Forwarded Balance</b>	<b>81,418,212.24</b>	<b>-</b>	<b>81,418,212.24</b>
SC-GF SC-Hall of Justice	4,428,870.34	7,310,060.03	(2,881,189.69)
SC-GF SC-Fiduciary Fund	66,077,528.58	66,379,000.39	(301,471.81)
Regional Trial Court	26,578,988.78	85,205,927.57	(58,626,938.79)
Municipal Trial Court	5,211,024.25	42,620,263.68	(38,822,641.64)
Metropolitan Trial Court	7,794,719.73	9,003,328.40	( 1,208,608.67)
Municipal Circuit Trial Court	8,786,253.58	34,309,225.53	(25,552,971.95)
Municipal Trial Court in Cities	11,545,484.19	21,212,861.18	(9,667,376.99)
Jurisconsult	199,040.81	246,433.00	(47,392.19)
Shari'a District Court	654,441.08	899,748.43	(245,307.35)
Shari'a Circuit Court	1,466,766.57	3,805,607.79	(2,338,841.22)
OCA	47,215,582.08	47,413,075.45	(197,493.37)
PHILJA-Pre-judcature	159,423.76	146,868.29	12,555.47
PHILJA-Asia Foundation	169,872.89	822,549.72	(652,676.83)
PHILJA – UNICEF	170,435.00	178,305.00	(7,870.00)
PHILJA Funds	428,166.48	911,715.14	(483,548.66)

<i>Account Names/Numbers</i>	<i>Per Book</i>	<i>Per Bank</i>	<i>Difference</i>
<b>Beginning/Forwarded Balance</b>	<b>81,418,212.24</b>	<b>-</b>	<b>81,418,212.24</b>
SC-GF SC-Hall of Justice	4,428,870.34	7,310,060.03	(2,881,189.69)
SC-GF SC-Fiduciary Fund	66,077,528.58	66,379,000.39	(301,471.81)
PHILJA - Quasi Judicial	142,428.66	142,428.66	-
PHILJA – PMC Rule 141	(9,098,704.53)	67,631,452.83	(76,730,157.36)
Mandatory Continuing Legal Education (MCLE)	31,550,455.71	32,008,672.81	(458,217.10)
SC-WB-JRSP	3,813,127.43	5,293,056.37	(1,479,928.94)
SCP-UNDP Grant	1,017,294.19	1,355,169.07	(337,874.88)
United Nation Development Programme	27,154.57	-	27,154.57
<b>Total</b>	<b>208,338,354.15</b>	<b>426,895,749.34</b>	<b>(218,557,395.19)</b>
<b>Grand Total</b>	<b>289,756,566.39</b>	<b>426,895,749.34</b>	<b>(137,139,182.95)</b>

18. The difference was traced to the following:
- a. The balance includes the Lower Court's (LC) negative dormant account balance of P532,055,573.13, the PNB negative balance of P129,752,966.17 and other LC negative bank accounts of P11,914.35. It also includes the SC PNB deposits under Account No. 0220-840320-9 with outstanding balance of P129,926,414.79 which was already closed per bank certification as of December 31, 2001.
  - b. Lower Court - Continuous Form Checks totaling P53,750,565.48 remained outstanding for more than six months as reflected in the BRS. While for the SC Proper, checks totaling P386,335.03 issued by the court from September 1999 to June 30, 2010 which become stale were still shown as outstanding as of December 31, 2010. These stale checks have been reconciling items in the previous years resulting in the understatement of the accounts Cash in Bank-LCCA and overstatement of expenses in the books of accounts.
  - c. Other bank accounts but still with outstanding book balances remained unadjusted/unreconciled as of year-end.
19. The management had already requested for the write-off of the said dormant account pursuant to the Resolution of the Court dated October 26, 2006, in A.M. 6-06-2-SC and is still pending with COA Central Office. The dormant accounts of the LC were already recorded in the Registry of Dormant Accounts (RDA).
20. The BRS as of December 31, 2010 for 11 current accounts maintained by SCP were submitted on various dates from January 17 to April 12, 2011. In the case of the LCs, eight current accounts with the exception of Jurisconsult current account, seven BRS were submitted on March 23, 2011. While for the nine PHILJA current accounts, two BRS as of December 31, 2010 were submitted, four with no BRS submitted and three were closed accounts effective on April 22, 2009 and January 5, 2010.

*Judiciary Development Fund (JDF)*

21. The book balance as of year-end of JDF amounted to P85,042,657.57 while the bank balance per bank confirmation/certification was P107,946,334.69 or a difference of P22,903,677.12 as shown in the succeeding table:

<u>Accounts</u>	<u>Per books</u>	<u>Per Bank</u>	<u>Difference</u>
<b>JDF</b>			
<b>JDF 80%</b>			
CA#3472-1000-59	34,356,060.38	62,807,449.99	(28,451,389.61)
<b>JDF 20%</b>			
CA#3472-1001-72	39,114,254.21	45,138,884.70	(6,024,630.49)
<b>Sub-total</b>	<b>73,470,314.59</b>	<b>107,946,334.69</b>	<b>(34,476,020.10)</b>
<b>JDF 80%</b>		Closed-	
CA#0592-1021-53	6,994,372.98	April 24, 2007	6,994,372.98
<b>RCAO – Region 7</b>			
CA#1352-1021-52	4,577,970.00	Unconfirmed	4,577,970.00
<b>Grand Total</b>	<b>85,042,657.57</b>	<b>107,946,334.69</b>	<b>22,903,677.12</b>

22. The difference of P22,903,677.12 could be attributed to the following adjustments per books and per bank:

Per Books

	<u>Additions/ (Deductions to Book Balance)</u>
Unrecorded bank credit memo	P 8,953,293.77
Unadjusted stale checks	5,363,910.75
Unrecorded fund transfer and check deposits	19,211,947.12
Double take up of check	6,946,136.67
Cancelled checks not found in the outstanding checks	( 8,500.00)
Unrecorded bank debit memo	(12,084,796.47)
Unrecorded checks	( 170,926.14)
Over/understatement in recording	111,549.63
Unreconciled prior years' transactions	( 1,044,946.00)
<b>Net Deductions to Book Balance</b>	<b><u>P 27,277,669.33</u></b>

Per Bank

	<u>Additions/(Deductions) to bank balance</u>
Checks debited twice	P 459,470.00
Encashed checks not for JDF account	3,420,632.78
Deposit in transit	297,060.00
Outstanding checks (net of stale check)	(6,512,060.90)
Erroneous entry	69,966.15
Unreconciled prior years' transactions	<u>6,638,924.18</u>
<b>Net Bank Adjustments</b>	<b><u>P4,373,992.21</u></b>

23. The above book and bank reconciling items remained uncorrected as of December 31, 2010.

24. The latest Bank Reconciliation Statement (BRS) for these depository accounts were submitted to the COA on the following dates:

<u>LBP Accounts</u>	<u>Period Covered</u>	<u>Date Received by the COA</u>
CA#0592-1021-53 closed account as of 4/24/07	For the period, January 1, 2002 to December 31, 2010	August 26, 2011
CA#3472-1000-59	As of December 31, 2010	March 29, 2011
CA#3472-1001-72	As of December 31, 2010	March 29, 2011
CA#1352-1021-52	none	

*Special Allowance for the Judiciary Fund (SAJF)*

25. On the other hand, the year-end book balance of SAJ totaled P126,322,270.63 while the bank balance per confirmation/certification was P168,795,784.62 or a difference of P42,473,513.99 as shown below:

<u>Accounts</u>	<u>Per books</u>	<u>Per Bank</u>	<u>Difference</u>
<b>SAJF</b>			
CA#0592-1059-77	P (344,953.41)	Closed- April 24, 2007	P( 344,953.41)
CA#3472-1002-37	<u>126,667,224.04</u>	<u>168,795,784.62</u>	<u>(42,128,560.58)</u>
<b>Total</b>	<b><u>P126,322,270.63</u></b>	<b><u>P168,795,784.62</u></b>	<b><u>P(42,473,513.99)</u></b>

26. Verification disclosed that the difference of P42,473,513.99 was caused by the following adjustments per books and per bank:

Per Books

	<u>Additions/ (Deductions) to Book Balance</u>
Unadjusted stale checks	P 1,542,254.42
Unrecorded bank credit memo	343,400.00
Unrecorded bank debit memo	( 431,058.80)
Overstatement in recording RTC payroll	3.00
Erroneous entry/adjustments in books	( 2,000.00)
Unrecorded adjustment for LBP CA No. 0592-1059-77, closed account but still open in the books of account	<u>344,953.41</u>
<b>Net Additions to Book Balance</b>	<b><u>P1,797,552.03</u></b>

Per Bank

	<u>Additions/ (Deductions) to Bank Balance</u>
Double take up of checks	131,430.00
Over/understatement of checks	235,456.25
Outstanding checks (net of stale checks)	<u>(41,042,848.21)</u>
<b>Net Deductions to Bank Balance</b>	<b><u>P(40,675,961.96)</u></b>

27. The afore-listed book reconciling items were already recommended for adjustment in the prior years' audit reports, however, still these were not adjusted by the Accounting Division.

28. The latest Bank Reconciliation Statement (BRS) for these depository accounts were submitted to the COA on the following dates:

<b>LBP Accounts</b>	<b>Period Covered</b>	<b>Date Received by the COA</b>
CA#0592-1059-77 - closed account as of 4/27/07	As of November 30, 2006	June 22, 2007
CA#3472-1002-37	As of December 31, 2010	March 22, 2011

29. The differences are summarized below:

<i>Account Names</i>	<i>Per Book</i>	<i>Per Bank</i>	<i>Difference</i>	<i>Stale Checks</i>	<i>Other reconciling items</i>
SC-GF, LC, OCA, PHILJA, Other Special Projects	289,756,566.39	426,895,749.34	(137,139,182.95)	54,137,717.54	83,001,465.41
JDF	85,042,657.57	107,946,334.69	(22,903,677.12)	5,363,910.75	17,539,766.37
SAJF	126,322,270.63	168,795,784.62	(42,473,513.99)	1,542,254.42	40,931,259.57
RCAO 7	2,301,739.74	Unconfirmed accounts			
<b>Total</b>	<b>503,423,234.33</b>	<b>703,637,868.65</b>	<b>(202,516,374.06)</b>	<b>61,043,882.71</b>	<b>141,472,491.35</b>

30. The above table shows that the discrepancy P202,516,374.06 consists of stale checks amounting to P61,043,882.71, other reconciling items of P141,472,491.35 and the unconfirmed bank balance of RCAO 7 amounting to P2,301,739.74.

31. The Lower Court – Financial Management Office (LC-FMO) commented that the outstanding checks are only cancelled upon presentation of the stale checks or upon submission of the affidavit of loss by the payee. Thus, without the presentation of the stale checks or affidavit of loss by the payee, checks are not cancelled and remained to be outstanding. This has been the standing policy and the same was not observed to be inappropriate before. Further, this is the first time that the foregoing appeared as an audit observation. Nonetheless, considering that LC-FMO should be guided as to the reckoning period to cancel outstanding checks even without the presentation of the checks or an affidavit of loss, this Office shall submit the recommendation to the Court Administrator taking into consideration the provisions of the New Government Accounting System. Further, they stated that there are outstanding checks in the Bank Reconciliation Statement (BRS) categorized as checks issued in prior years 2003 and below which were carried over from the records prior to 2003 and has no breakdown as to its composition. While this Office would like to determine the status of these outstanding checks, there are no more available existing records to reckon with. For similar reason, adjustments could no longer be effected in the books of accounts relative to the payment of PERA in May 1997 and the withholding tax refund in 1996 and 1997. Considering the non-availability of records where the amounts could be reconciled with despite

diligent effort, perhaps, this Office could already make representation with COA as to the proper procedure to be undertaken to expunge the same from the books of accounts.

32. We are of the opinion that the depository bank standing policy that checks which are outstanding for over six months from the date of issue shall no longer be negotiable thus checks should be cancelled. Likewise, as provided in Section 52 of the Manual on NGAS, it is then the responsibility of the Cashier/Regular Disbursing Officer to report to the Accountant the unclaimed stale checks which were unreleased. Checks already issued to payees that became stale do not need to be presented before cancellation. Holder of stale check may still claim upon request for replacement and presentation to the Accounting Division.
33. We recommend that management undertake the following courses of actions:
  - a. Promptly prepare bank reconciliation statements every end of the month in accordance with Section 74 of P.D. No. 1445 for all depository bank accounts and record all reconciling items in the books;
  - b. Analyze the records and account for the unreconciled prior years' discrepancy;
  - c. Require the personnel responsible in the preparation of BRS to submit the list of stale checks issued for more than six months to the Accounting Division to make the necessary adjustment of these stale checks that are still accounted as outstanding checks in accordance with the Manual on NGAS, Vol. I; and
  - d. Provide the LBP with the schedule of bank reconciling items and advise the LBP to correct identified bank errors. Likewise, obtain from LBP bank debit and credit memos for proper adjustments in the books.
34. Management commented that Fiscal Management and Budget Office (FMBO) has already updated the preparation of BRS however, there are still some unrecorded bank debit and credit memos which management is still awaiting for the bank's reply. A letter was sent to LBP reiterating its request for the debit/credit memos. As regard other adjustments, management is still verifying and analyzing transactions relative thereto and will soon submit the corresponding JEV after completion of verification process.
35. The SC - Accounting Division agreed to cancel the stale checks in year 2011 and with regard to account nos. 0592-1023-90 and 0592-1009-83, the accountant committed to make verification of the transfer of balances to SC General Fund with the Accounting Division, Fiscal Management Office, OCA.

***Misstated Balance of Cash in Bank–Local Currency, Savings Account –P7.094 Billion***

**The book balance of the *Cash in Bank–Local Currency, Savings Account* as of December 31, 2010 in the amount of P7,093,768,617.73 does not agree with the bank balance totaling to P1,960,497,675.12 or a difference of P5,133,270,942.61 consisting of unrecorded/uncorrected reconciling items which remained unadjusted.**

36. Cash in Bank – Local Currency, Savings Account is used to record deposits/withdrawals of local currency in savings account maintained with AGDBs.
37. Dormant accounts refer to individual or group of accounts which balances remained non-moving for more than five years. The guidelines and procedures for its proper disposition are embodied under COA Circular No. 97-001 dated February 5, 1997.
38. As of December 31, 2010, the book balance of the Cash in Bank-Local Currency, Savings Account of the SC-General Fund, JDF and SAJF totaled to P7,093,768,617.73, details as follows:

<u>LBP Accounts</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Difference</u>
SC- General Fund	6,705,109.46	Closed- March 2006	6,705,109.46
OCA – Retirement Gratuity	539,758.04	548,693.82	(8,935.78)
LC Payroll Fund	<u>28,632,393.03</u>	<u>44,655,235.63</u>	<u>(16,022,842.60)</u>
<b>Sub-total</b>	<b><u>35,877,260.53</u></b>	<b><u>45,203,929.45</u></b>	<b><u>(9,326,668.92)</u></b>
JDF	961,642,960.54	1,242,967,802.72	(281,324,842.18)
SAJF	438,041,600.04	672,325,942.95	(234,284,342.91)
Fiduciary/Sheriff Fund	5,598,368,581.92	Unconfirmed accounts	5,598,368,581.92
RCAO 7 – Payroll Fund	<u>59,838,214.70</u>	<u>-do-</u>	<u>59,838,214.70</u>
	<b><u>7,057,891,357.20</u></b>	<b><u>1,915,293,745.67</u></b>	<b><u>5,142,597,611.53</u></b>
<b>TOTAL</b>	<b><u>7,093,768,617.73</u></b>	<b><u>1,960,497,675.12</u></b>	<b><u>P5,133,270,942.61</u></b>

*Supreme Court-General Fund (SC-GF) , Lower Court ( LC), Office of the Court Administrator (OCA)*

39. Audit revealed that the balances per book of SC –General Fund, LC Payroll Fund and OCA Retirement Gratuity Account differed with their bank balances as per LBP confirmation/certification in the amount of P9,326,668.92.

40. The difference was caused by the following book adjustments:

	<u>Additions/(Deductions)</u> <u>to book balance</u>
Unrecorded interest income	P 8,935.78
Cancellation of checks (annuities of deceased employees)	544,396.25
Unrecorded debit memo	(9,179.26)
Fund transfer not taken up	469,040.44
Unrecorded adjustment for LBP SA No. 0591-1496-44, closed account but still opened in the books of accounts	(6,697,032.07)
Unreconciled prior years' transactions	(509,603.95)
<b>Net books adjustments</b>	<b>(6,193,442.81)</b>

41. Discrepancy was also traced from the following bank adjustments:

	<u>Additions/(Deductions)</u> <u>to bank balance</u>
Overpayments – LC	14,751.28
Erroneous entry	3,429.56
Double payments	14,537.87
Outstanding Disbursements	(15,552,830.44)
<b>Net bank adjustments</b>	<b>(15,520,111.73)</b>

42. The OCA – Retirement Gratuity was a dormant account since 2002 and the difference between the book and bank balance of P8,935.78 was attributed to unrecorded interest income. The latest BRS submitted to COA was as of June 30, 2008.

43. The Officer-in-Charge, Accounting Division, FMO – OCA requested to write-off of this dormant account from its books of accounts however, the said request was returned by this Office with the advice that they are to observe/follow the guidelines on the proper disposition/closure of dormant fund and/or accounts as set - forth under COA Circular No. 97-001 dated February 7, 1997, particularly the procedures prescribed in Nos. III.B.2 and III.A.3 of the circular.

44. This similar observation was already mentioned in the previous AARs.

45. The SC-Chief Accountant explained that the appropriate adjustments for the closed account could not be made yet because of the absence of bank documents, which are needed in the updating of reconciliation statement.

46. On the other hand, LC management commented that the Office shall submit the recommendation to the Court Administrator taking into consideration the provisions of the New Government Accounting System.

*Judiciary Development Fund (JDF)*

47. As of December 31, 2010, the book balance of Cash in Bank, Local Currency, Savings Account, JDF differed with bank balance as per LBP confirmation/certification by P281,324,842.18 due to incomplete reconciliation statement and uncorrected reconciling items that accumulated over the years, details as follows:

Description	LBP Accounts	Per Book	Per Bank	Difference
JDF	SA#3471-0011-62	794,154,688.35	794,154,688.35	0.00
	HYSA#0591-1758-07	357,270,052.32	357,270,052.31	0.01
	SA#0591-0116-34	(189,657,190.12)	86,162,973.70	(275,820,163.82)
PET Payroll Fund	SA#3471-0022-90	(131,350.00)	550,488.67	(681,838.67)
SCP Payroll Fund	SA#3471-0022-82	(940.00)	4,829,599.69	(4,830,539.69)
	SA#0591-1496-44	7,699.99	Closed account	7,699.99
	<b>Total</b>	<b>961,642,960.54</b>	<b>1,242,967,802.72</b>	<b>281,324,842.18</b>

48. The difference was due to the following book adjustments:

	<u>Additions/(Deductions)</u> <u>to book balance</u>
Unrecorded deposits due to non-submission of RCDs	P 406,049,804.82
Transaction requiring sufficient documents for recording	(91,608,808.93)
Report of Deposit with verified discrepancy, RTC Pasig	(1,323,030.19)
Report of Deposit with different bank account no.	(12,936,530.46)
Erroneous computation, footings and inclusion/take up	13,462,321.08
Other reconciling items for verification	(24,581,244.27)
<b>Net book adjustments</b>	<b>P289,062,512.05</b>

49. The following bank adjustments were also noted to cause the difference:

	<u>Additions/(Deductions)</u> <u>to bank balance</u>
Unrecorded Agency deposits of various period	P 7,736,954.23
Recording errors -Over/under postings	715.64
<b>Bank Adjustments</b>	<b>P 7,737,669.87</b>

50. The BRS for the first three depository accounts for the JDF as of December 31, 2010 were submitted to the COA on March 29, 2011, while no BRS was submitted for SA# 3471-0022-90 and 3471-0022-82.

*Special Allowance for the Judiciary Fund (SAJF)*

51. Audit of Cash in Bank, Local Currency, Savings Account of the SAJF as of December 31, 2010 differed with the bank balance as per LBP confirmation/certification by P234,284,342.91 due to incomplete reconciliation

statement and uncorrected reconciling items that accumulated over the years, details as follows:

Account Name	Account Number	Per Book	Per Bank	Difference
LBP	0591-1744-28	₱438,041,600.04	₱672,325,942.95	₱234,284,342.91

52. The discrepancy was traced to the following with a total net understatement in the books of ₱236,422,813.85:

Unrecorded deposits	₱ 404,637,927.24
Unrecorded bank credit/debit memos	2,020,586.00
Recording Errors:	
a. Report of Deposits with different Bank Account No.	(11,361,343.81)
b. Erroneous computation, footing and take-up of book entries	(9,614,381.22)
c. Journal total errors	73,621.56
Transactions with incomplete documents to warrant recording	<u>(149,333,595.92)</u>
<b>Net Book Adjustment</b>	<b><u>₱ 236,422,813.85</u></b>

53. Moreover, it was observed that the unrecorded deposits in the books have accumulated to P404,637,927.24 from December 2003 to December 2010 and no adjustments have been made by the Accounting Division to correct the reconciling item.

54. On the other hand, bank errors were also noted such as the following:

	<b>Additions/(Deductions) to bank balance</b>
Deposit in transit	₱ 2,138,610.31
Recording errors -Over/under postings	(139.37)
<b>Bank Adjustments</b>	<b>₱ 2,138,470.94</b>

55. The Bank Reconciliation Statement for the SAJ account (SA#0591-1744-28) as of December 31, 2010 was submitted only to the COA on March 31, 2011.

56. We recommend that management:
- a. Require the Accountant to prepare of timely and complete BRS of all depository bank accounts in accordance with Section 74 of P.D. 1445 and

record all book reconciling items to present the true balance of the account in the financial statement;

- b. Comply with the requirements of COA Circular No. 97-001 dated February 5, 1997 relative to the proper disposition/closure of the dormant accounts; and
- c. Request from LBP copy/ies of the unrecorded debit and credit memo to facilitate recording in the books and updating of the reconciliation of closed depository account; and

### Cash Advances

**Failure of the management to strictly monitor the granting and liquidation of cash advances resulted in unliquidated balances of the Advances to Officer and Employees account as of December 31, 2010 in the aggregate amount of P4,048,656.82 due to excessive cash advances, granting of additional cash advance even if the previous ones were not settled yet and transfer of cash advance from one accountable officer (AO) to another contrary to Section 89 of P.D. 1445 and COA Circular No. 97-002.**

- 57. Section 89 of P.D. 1445 otherwise known as the Government Auditing Code of the Philippines states that cash advances shall be reported on and liquidated as soon as the purpose for which it was given has been served.
- 58. Moreover, COA Circular No. 97-002 dated February 10, 1997 provides that *“failure of the Accountable Officer to liquidate his cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary and the institution of other sanctions x x x”*.
- 59. The account Advances to Officers and Employees includes cash advances granted for official travels and special purpose with total balance of P4,048,656.82 as follows:

<b>Fund</b>	<b>Travel</b>	<b>Special Purpose</b>	<b>Total</b>
SC PROPER			
General Fund	1,134,969.04	1,732,470.03	2,867,439.07
JDF	5,575.00	-	5,575.00
JRP	45,592.00	-	45,592.00
UNDP	(310.00)	-	(310.00)
MCLE	-	30,638.43	30,638.43
WB-JRSP	-	269,974.00	269,974.00
SC-GOP Counterpart Fund	1,650.00	34,590.80	36,240.80
<i>Sub-total</i>	<b>1,187,476.04</b>	<b>2,067,673.26</b>	<b>3,255,149.30</b>
LOWER COURTS			
RTC	131,445.99	50,000.00	181,445.99
MTCC	19,600.00	-	19,600.00
MTC	32,861.00	-	32,861.00
SCC	1,500.00	-	1,500.00

<b>Fund</b>	<b>Travel</b>	<b>Special Purpose</b>	<b>Total</b>
SDC	8,800.00	-	8,800.00
<i>Total</i>	194,206.99	50,000.00	244,206.99
<i>Less: Unreconciled amount</i>	(36,684.62)		(36,684.62)
<i>Sub-total</i>	<b>157,522.37</b>	<b>50,000.00</b>	<b>207,522.37</b>
RCAO	-	<b>5,895.00</b>	<b>5,895.00</b>
PHILJA	<b>9,600.00</b>	<b>570,490.15</b>	<b>580,090.15</b>
<b>TOTAL</b>	<b>1,354,598.41</b>	<b>2,694,058.41</b>	<b>4,048,656.82</b>

***Unliquidated cash advances for travel of  
JRP, SC-GOP Counterpart Fund, Lower Courts and PHILJA- P214,364.37***

60. Audit revealed that the total unliquidated cash advances for official travel is P214,364.37.
61. The balance of the Lower Court (LC) for travel in the amount of P194,206.99 pertains to cash advance of officers and employees which are over two years. Moreover, a credit balance of P36,684.62 remained unreconciled for the Regional Trial Court (RTC) account.
62. SC-GOP Counterpart Fund of P800.00 and PHILJA of P9,600.00 or settlement in the total amount of P10,400.00, was subsequently made in the 1st quarter of 2011 leaving a balance of P203,964.37.

***Cash Advances for Special Purpose of  
MCLE, JRSP, SC-GOP Counterpart Fund. Lower Courts and PHILJA – P955,693.38***

63. The account *Advances to Officers and Employees* also includes cash advances granted for special purpose with total balance of P955,693.38. Of the P570,490.15 PHILJA balance, P241,527.14 and P107,594.30 pertains to retired Justice Priscila S. Agana and Atty. David L. Ballesteros, respectively.
64. The PHILJA and FMBO sent several demand letters to the then retired Judge Agana, former Executive Secretary and Special Disbursing Officer of PHILJA., sometime in 2007 and 2008 requiring her to settle/liquidate her outstanding cash advances of P747,455.79. Liquidation reports totaling P505,928.65 were submitted decreasing her accountability to P241,527.14 as of December 31, 2009 until her death in January 3, 2011. Verification of records disclosed that as of year end the terminal leave benefit of the demised Judge Agana is not yet claimed.
65. Further, verification of records revealed that aside from the above outstanding balance, she also had a total unsettled advances of P369,800.00, broken down as follows:

- a. From PHILJA Special Fund - Petty cash fund of P20,000.00 on February 14, 2005 for the miscellaneous/incidental expenses year 2005 of the Phil. Mediation Center.
  - b. From the UNDP Internally Displaced Persons Project (IDPP) Fund - cash advance to finance the cost in the conduct of seminar on Strengthening Shari'a Courts on November 3, 2005 with unliquidated balance of P349,800.00, recorded as *Cash-Disbursing Officer* account (code 103).
66. On the other hand, records showed that the total unsettled accountability of Atty. David L. Ballesteros of P107,594.30 which was granted in October 2006, was already settled with the submission to Accounting Division of the liquidations for credit in his cash advance in year 2011.
67. It was also noted that out of the unsettled P253,706.99 LC balance as of December 31, 2009, only P9,500.00 or 4% was settled in 2010.
68. LC Management commented that LC outstanding advances of officers and personnel were carried over the years due to non-availability of records. A letter request for write off and be transferred to RDA of some accounts was sent to the COA in August 2004 and in November 2009 for unliquidated cash advances of more than ten years old. Demand letters were sent to personnel who are still in the service and to recommend for the withholding of their salary, if still unsettled.
69. Subsequent liquidations/settlements of 57% from January to March 2011 were made leaving a balance of P410,752.96, details as follows:

<b>Fund</b>	<b>Balance as of Dec. 31, 2010</b>	<b>Liquidated 1<sup>st</sup> Quarter 2011</b>	<b>Due for immediate liquidation</b>
PHILJA	570,490.15	221,368.61	349,121.54
JRSP	269,974.00	258,342.58	11,631.42
SC-GOP Counterpart-Grant	34,590.80	34,590.80	-0-
MCLE	30,638.43	30,638.43	-0-
Lower Court	50,000.00	-0-	50,000.00
<b>TOTAL</b>	<b>P 955,693.38</b>	<b>P 544,940.42</b>	<b>P410,752.96</b>

- *Cash advances were granted even if the previous cash advances were not liquidated*
70. It was also noted that inadequate control systems in the granting and utilization of cash advances resulted in the accumulation of the outstanding cash advances. Cash advances were granted to some officers although the previous ones given to them were not settled or a proper accounting thereof was made contrary to Sec. 89, P.D. 1445, Sec. 174 (f) of GAAM Vol. I and COA Circular No. 97-002.

71. Shown below are some of the cash advances granted to one of the accountable officer of the court, Ms. Araceli Bayuga, Regular Disbursing Officer:

<u>Cash Advance</u>		<u>Liquidation</u>		<u>Refund</u>
<u>Date Granted</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>	<u>Amount</u>
01/27/10	57,000.00	04-30-10	38,850.00	18,150.00
02/01/10	100,000.00	04-30-10	38,234.02	61,765.98
02/25/10	179,970.00	07-30-10	163,928.75	16,041.25
03/01/10	150,000.00	06-30-10	121,347.04	28,652.96
03/02/10	100,000.00	07-30-10	67,170.25	32,829.75
03/05/10	1,136,000.00	04-30-10	723,435.18	412,564.82

72. As shown in the preceding table, additional cash advances were given even if the previous ones have not been settled yet or an accounting thereof was made. Liquidations of which were apparently not made before another cash advance is given contrary to Section 89 of P.D. 1445 and Sections 4.1.2 and 4.1.3 of COA Circular No. 97-002 which states that “A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”

- *Granting of excessive cash advances*

73. Excessive cash advances were given due to overestimate in the allocation of the budget for training/conference and other activities. Below is the schedule showing the cash advances granted to Ms. Bayuga and the rate of utilization:

<b>Cash Advance Granted</b>	<b>Trainings Conducted</b>	<b>Actual Utilization</b>	<b>% Utilized</b>	<b>Refund of Excess Cash Advance</b>	<b>No. of days refunded</b>
₱ 57,000.00	Employees Effectiveness Training	₱ 38,850.00	68%	₱ 18,150.00	25
100,000.00	Enhance Justice on Wheels Project, Malolos and Taguig	38,234.02	38%	61,765.98	5
200,000.00	Enhance Justice on Wheels Project, Bohol, Ilocos Norte and Sur	39,482.26	20%	160,517.74	17
190,000.00	Enhance Justice on Wheels Project, Iloilo, Bacolod and Dumaguete City	18,457.00	10%	171,543.00	20
200,000.00	Enhance Justice on Wheels Project, various cities and provinces	0.00	0%	200,000.00	21

74. It can be noted from the above table that actual utilization of cash advances ranges from zero percent to sixty-eight percent of the cash advances given, hence, it shows that cash advances were excessive. This practice deprives the government to utilize its funds for some other purposes.
75. Section 177 of the GAAM Vol. I states in part that *“The special cash advances shall be used to pay the salaries and wages of the employees and the miscellaneous operating expenses of the activity xxx The amount of cash advance shall be limited to the requirements for two months. Within 5 days after the end of each month, the accountable officer shall submit a Report of Disbursements. Additional cash advances shall be granted based on the activity budget or the requirements for two months, whichever is lower.”* (Underscoring supplied)
- *Cash advance transferred from Accountable Officer to another*
76. Moreover, it was observed that most of the cash advances granted to Ms. Bayuga for special purpose were transferred to other officials and employees who actually disbursed the fund. This practice is contrary to Section 4.1.6 of COA Circular No. 97-002 which states that “Transfer of cash advance from one Accountable Officer to another shall not be allowed.”
77. It was noted in the verification of cash items presented during the cash examination conducted last December 2010 of the cash and accounts of Ms. Bayuga, that aside from the receipts/invoices paid by her out of the cash advance for SC Christmas Party celebration, copies of Petty Cash Voucher acknowledged by different employees indicated therein the amount transferred to that employee to be used for the purpose/activity requested such as payment for the purchase of computers, meals and snacks in their “Outreach Mission”. Likewise, cash advance granted for operational expenses of MCLE amounting to ₱100,000.00 was transferred to an Administrative Officer IV, the employee responsible of the said office.
78. Management commented that the disbursing officer, who is the Chief Cashier, is granted with additional cash advances even if the previous ones have not been settled because the Court has many activities and programs that need cash advances to be handled by the said accountable officer and the duration of each activity usually overlapped. With regard to the amount of cash advance, the estimate is determined by the official or committee requesting for it, hence, is not within the control of the disbursing officer.
79. Lower Court management commented that a request for write off will be made for some dormant accounts pertaining to unliquidated cash advances which are still outstanding for more than ten years.
80. The Chief Cashier being the regular disbursing officer of the court has several accountabilities such as payment of payrolls and allowances, hence, should limit the granting of cash advances to regular activities and, if ever she will be handling cash advance for special purpose, the said disbursing officer shall observe the ruling on

the granting and liquidation of cash advances as prescribed in Section 89 of P.D. 1445. With regard to the estimate of cash advance for special activity, the budget officer/accountant should evaluate the requested estimates whether the amount is necessary for inclusion as part on the grant of cash advance or to be paid directly to the payee to avoid excessive grant of cash advances.

81. We recommend that management to take the following courses of action:
- a. Comply strictly with the rules and regulations on the granting and liquidation of cash advances pursuant to Section 89 of P.D. 1445 and Sections 4.1.2, 4.1.3 and 4.1.6 of COA Circular No. 97-002.
  - b. Exercise prudence in granting cash advances to serve the most urgent and limit the amount to essential needs of the agency’s training and other activities.
  - c. Impose penal/administrative sanctions on those who continue to neglect their obligations in accordance with the provisions of Section 89 of P.D.1445 and COA Circular No. 97-002 dated February 10, 1997.
  - d. Reclassify unsettled cash advances of officials and employees who are deceased, retired or separated from service to the Other Receivables account.

***Uncollected Due from Officers and Employees of P33,079,282.63 at the Lower Courts***

**The balance of Due from Officers and Employees account of the Lower Courts increased by 66.79 percent from P19,832,504.83 in 2009 to P33,079,282.63 in 2010 due to the failure of the management to monitor the enforcement of collection of shortages of the collecting officers totaling P29,236,069.42 and overpayment of salaries of officials and employees of P3,843,213.21, respectively.**

82. The balance of the account *Due from Officers and Employees* as of December 31, 2010 in the total amount of P37,782,055.28 consists of the following:

FUND	AMOUNT
SC PROPER	
General Fund	33,259.40
SAJ	396,046.93
JDF	4,213,965.32
<i>Sub-total</i>	<b>4,643,271.65</b>
LOWER COURT	
RTC	13,981,833.47
MTCC	11,235,214.96
MCTC	889,504.53
MTC	3,360,936.16

METC	3,611,793.51
<i>Sub-total</i>	<b>33,079,282.63</b>
RCAO 7	101.00
PHILJA	<b>59,400.00</b>
<b>TOTAL</b>	<b>37,782,055.28</b>

83. The balance of the Lower Courts has increased by P13,246,777.80 from P19,832,504.83 in 2009 to P33,079,282.63 in 2010 as shown below:

Courts	Balance as of December 31, 2010	Balance as of December 31, 2009	Increase/ Decrease
RTC	13,981,833.47	12,416,084.47	1,565,749.00
MeTC	3,611,793.51	3,611,793.51	-0-
MCTC	889,504.53	571,539.30	317,965.23
MTCC	11,235,214.96	626,908.90	10,608,306.06
MTC	3,360,936.16	2,606,178.65	754,757.51
Total	<b>33,079,282.63</b>	<b>19,832,504.83</b>	<b>13,246,777.80</b>

84. The composition of the P33,079,282.63 balance of the account Due from Officers and Employees of the Lower Court as of December 31, 2010 is broken down as follows:

Courts	Balance as of December 31, 2010	Cash Shortages	Overpayment
RTC	13,981,833.47	11,057,982.00	2,923,851.47
MeTC	3,611,793.51	3,471,831.54	139,961.97
MCTC	889,504.53	544,025.48	345,479.05
MTCC	11,235,214.96	11,121,006.06	114,208.90
MTC	3,360,936.16	3,041,224.34	319,711.82
Total	<b>33,079,282.63</b>	<b>29,236,069.42</b>	<b>3,843,213.21</b>

85. We noted that the status of cash shortages found by the Court Management Office (CMO) during the conduct of financial audit on the Clerk of Courts (COCs) and Collecting Officers (COs) were not monitored whether restitution has been made during the year.
86. Inquiry with the Assistant Chief of Office and personnel involved in the financial audit at the CMO disclosed that the results of financial audit were reported to the Office of the Court Administrator (OCA). If there were shortages, even if restituted by COCs/AOs, still an administrative case is filed for amount exceeding P10,000.00. The report of shortages was submitted to the Accounting Division for recording in the books of accounts.
87. On the other hand, the amount of P3,843,213.21 pertains to the overpayment of salaries of former judges and court personnel who were either retired, resigned,

AWOL or separated from the service but did not secure clearance from money and property accountability thus, no benefits claimed was processed.

88. Management commented that notices were sent to those officials and personnel who were retired, resigned, AWOL or separated from the service but no reply was received from them. Further, part of these amounts was salary overpayments that existed even prior to 1997 wherein copies of notices and billings can no longer be retrieved on file. However, it is assured that no clearance is given to any official or court personnel should there be any existing accountability on records, financial or otherwise.
89. It also commented that COC Eladia Cunting of the MTCC, Region IX, with cash shortage, was already dismissed from the service in July 2007 and was directed to reconstitute her cash shortages. The National Bureau of Investigation (NBI) was also directed to arrest Ms. Cunting until she complies with the directive of the Court while Atty. Rosal O. Begay, RTC, Region IX, was recommended for an administrative action to the Court. Administrative cases are filed against accountable officers substantially anchored on the result of the financial audits. It is only upon the directive of the Court on how shortages should be settled as well as the institution of criminal action.
90. We recommend that management:
  - a. Assign to CMO or Accounting Division the duty/function of enforcing and monitoring the collection of the cash shortages and overpayment of salaries and other benefits as the result of CMO or Accounting Division's findings/report which are long overdue. Institute appropriate legal action, if warranted;
  - b. Require the various signatories to the clearance of accountable officers and/or separated employees to ensure that all money accountability is fully settled before clearing the accountable personnel, otherwise, they shall be held liable; and
  - c. Reclassify to the Other Receivables account the overpayment of salaries of former officials and employees who were retired, resigned, AWOL or separated from the service.

#### ***Judiciary Development Fund (JDF)***

##### ***Misstated Balance of Other Receivables Account JDF– P19.14 million***

**The reported balance of P19,146,660.62 of the Other Receivables account under the Judiciary Development Fund (JDF) was not correctly stated due to the inclusion of unpaid loans of officials and employees in the total amount P19,092,098.26 which should have been recorded as Due from Officers and Employees contrary to Section 28 of the Manual on the New Government Accounting System (NGAS). Further, of**

the total unpaid loans, P2,281,063.17 remained unsettled for two years and more and prior years' negative loan balances, which increased to P666,361.79 in CY 2010, were still unadjusted.

91. Section 28 of the Manual on NGAS, Vol. III, states that “the account Due from Officers and Employees is used to record the amount due from officers and employees of the agency. This account is debited for other receivables from officers and employees”.
92. The total *Other Receivables* account balance of ₱36,699,982.03 is composed of the following:

<b>FUND</b>		<b>AMOUNT</b>
SC PROPER		
General Fund	17,527,512.92	
JDF	19,146,660.62	
JRP	100.00	
<i>Sub-total</i>		6,674,273.54
LOWER COURTS		
MTCC	16,752.36	
MCTC	7,845.00	
METC	1,111.13	
<i>Subtotal</i>		25,708.49
<b>TOTAL</b>		<b>36,699,982.03</b>

93. Out of the total balance, the P19,146,660.62 pertains to JDF account comprises of the following:

<b>Motorcycle Loan</b>	P 8,116,338.04	
<b>Computer Loan -</b>		
Supreme Court Officials/Employees	7,069,795.66	
<b>Handgun Loan</b>	<u>3,905,964.56</u>	P19,092,098.26
<b>Computer Loan -</b>		
Court of Appeals Officials/Employees		25,000.00
Others		<u>29,562.36</u>
Total		<u>P19,146,660.62</u>

94. The Supreme Court of the Philippines granted the following interest-free loans for the acquisition of motorcycle, computer and handgun under the Supreme Court Motorcycle, Computer and Handgun Acquisition Program (SC-MCHAP) which were charged against the 20% of the Judiciary Development Fund where the said portion of the Fund shall be used for office equipment and facilities of the Courts located where the legal fees are collected.

- a. **Motorcycle Acquisition Program (MAP)** - grants a loan of **P50,000.00** with installment term of three years pursuant to the Resolution of the Court En

Banc No. A.M. 99-8-12 SC dated October 19, 1999 but it was extended to five years through OCA Circular No. 15-2002 dated June 7, 2002.

- b. **Computer Acquisition Program (CAP)** for the **Justices of the Supreme Court, the Court of Appeals, the Sandiganbayan, and the Court of Tax Appeals and all judges** of trial courts pursuant to the Resolution of the Court En Banc No. A.M. No. 05-09-18 SC dated September 20, 2005 - grants a loan of **P36,000.00** with payment term of P1,000.00 per month to be deducted from the monthly JDF allowance. The **CAP for other qualified court employees** extends a loan for a maximum amount of **P30,000.00** with a term of 30 monthly installments pursuant to Court En Banc Resolution A.M. No. 05-5-17 SC dated June 7, 2005, as amended by the En Banc Resolution of the Court dated June 20, 2006. While loans not exceeding **P24,000.00** shall be payable in twenty-four equal monthly installments.
  - c. **Handgun Acquisition Program (HAP)** - extends loan to Judges in an amount not exceeding **P50,000.00** and payable in thirty-six monthly installments pursuant to Court En Banc Resolution A.M. No. 08-3-13 –SC dated September 30, 2008.
95. As provided under the En Banc Resolution on MAP, the loan applicant shall have the option to choose the mode of payment he wants – either through salary deduction or his share in the JDF.
  96. Per inquiry with the Committee Secretariat, the deduction from employees’ salary is done by the EDP-FMBO based on the Notice of Deduction issued by the SC-Motorcycle, Computer and Handgun Acquisition Program (SC-MCHAP) Committee and the Committee for the Computer Acquisition Program for Justices, Judges of Trial Courts and Lawyers of the Supreme Court (CCAP). The notice to deduct is issued when the supplier files claim for payment of the units delivered.
  97. With regard to computer loans granted to justices of other offices (Court of Appeals, Court of Tax Appeals and Sandiganbayan), their respective Finance Division shall deduct the required monthly installment due from the monthly additional cost of living allowance from the JDF; and if it is insufficient, it shall be deducted from the monthly salary.
  98. Analysis of the said account disclosed that unpaid balances on these loans recorded as Other Receivables, which were recommended in the previous Annual Audit Report to be properly classified as Due from Officers and Employees, were not adjusted in the books, details as follows:

Motorcycle Loan	P 8,116,338.04
Computer Loan	7,069,795.66
Handgun Loan	<u>3,905,964.56</u>
Total	<u>P19,092,098.26</u>

99. Out of the unpaid motorcycle, computer, handgun loan balances, there were uncollected arrearages from officials and employees, in the total amount of P2,281,063.17, which remained unsettled for two years and more as summarized below:

Motorcycle Loan	P 421,925.44
Computer Loan	1,768,020.15
Handgun Loan	<u>91,117.58</u>
Total	<u>P2,281,063.17</u>

100. Had the management strictly implemented their collection policy, the amount could have been used for the intended purpose of the 20% of the JDF, such as acquisition, maintenance and repair of office equipment and facilities.
101. Likewise, out of the 2009 negative loan balances of officials and employees, amounting to P515,651.45, only P175,986.55 (34%) were adjusted in the books and refunded to officials and employees. The error was repeated in 2010 as the deficiency has increased to P666,361.79 as of December 31, 2010 detailed as follows:

Prior Years -		
Balance, December 31, 2009	P515,651.45	
Adjusted in CY 2010	<u>175,986.55</u>	P339,664.90
CY 2010		<u>326,696.89</u>
<b>Total</b>		<b><u>P666,361.79</u></b>

102. We recommend that management:
- Reclassify the loan recorded as Other Receivables account to Due from Officers & Employees account and likewise, any overpayment to be refunded to the SC employees to the Due to Officers and Employees account, pursuant Manual on NGAS;
  - Strictly enforce the policy on the payment/settlement of loans by the concerned official/committee in charge and assess the efficiency of the collection methods being used;
  - Send statement of account to borrowers on a regular basis and require the Accounting Division to annually confirm from the borrowers their account balances to intensify collection; and
  - Monitor payment of loans regularly and ensure the accurate posting of employees' payables/loans in the books to avoid negative balances.
103. Management commented that:
- Limitation of the e-NGAS hinders the reclassification of the loan balances nevertheless, subsequent loans will be reclassified to Due from Officers and Employees account;

- b. demand letters were sent to those who are already resigned from the service while deductions were made from salaries/benefits of those who are still in the service, effective July and August 2011 payroll;
- c. verification is also being done for the rest of the names in the list and deductions will be effected to ensure that loans are still collected;
- d. the Accounting Division is coordinating with the EDP Division, MISO, Property Division – OCA & RAO 7, on the status of the loans;
- e. refunds totaling P432,932.65 were given to officials and employees with negative balances during the period January to June 2011, a total of P25,458.12 is due for refund and will be paid accordingly; and
- f. verification will continue for the remaining negative balances totaling P207,971.02.

***Inoperative Water Purifying and Refilling Stations - JDF***

**The constructed/installed two water purifying and refilling stations of the Supreme Court-Main Office costing P2,256,710.58 were not used since its completion on December 28, 2009 thereby, depriving the employees of the intended benefits of the project and resulting in the wastage of government resources if these water stations continue to remain non-operational. Moreover, despite the provision in the contract for the training of water attendant, management claimed that there are no available personnel to be trained for its operation.**

- 104. Section 2 of P.D. No. 1445 states that *“it is the declared policy of the state that all resources of the government shall be managed, expended or utilized in accordance with laws and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government xxx”*.
- 105. In 2009, the Supreme Court Employees Association requested the possibility of providing clean and potable water for the employees of the Supreme Court.
- 106. In the same year, the Chief Justice approved the request and implemented the following projects:

<b>Particular</b>	<b>Date Contract Signed</b>	<b>Amount</b>
a) Construction of Two (2) Water Purifying & Refilling Stations	Oct. 16, 2009	P 1,088,541.70
b) Supply and Installation of Water Purifying & Refilling Stations Water Container (4 liters) - 3,500 pcs. Screw Caps - 3,500 pcs. Vinyl Stickers - 3,500 pcs.	Dec. 2, 2009	1,168,168.88
Total		P2,256,710.58

107. The construction of the water stations was completed on December 28, 2009, inspected on February 15, 2010 and paid under Check no. 0204880 dated May 17, 2010 while the supply and installation of water station was completed on February 9, 2010, inspected on March 29, 2010 by the Internal Auditor and paid under Check No. 204911 dated June 23, 2010.
108. As planned, each Supreme Court employee would be entitled to four liters per day. The Court should likewise provide each employee a water container.
109. As stipulated in the contract for the supply and installation of water purifying and refilling stations, there would be a comprehensive on-site training for the water attendants on the operation, maintenance and trouble shooting of the water purifying machines and equipment. Per interview conducted by the audit team, management stated that there were no available personnel for the said training, the reason why the water stations were not yet in operation. Also, it is understood that there should be an operations training before the payment of the total contract cost. Contrary to the contract/agreement, the contractor was still paid the whole amount of P1,168,168.88 although no training for water attendants was conducted.
110. With the absence of the trained personnel, the operation of the water stations has not started since its completion on December 28, 2009, thus the purpose of the project was not served. Likewise, the materials necessary in the operation of the project will only be put to waste as these are stocked/kept in the closed water station and the containers may no longer be safe to use. The water stations are exposed to wear and tear and may incur additional expenses if continued to be inoperative for a longer period.
111. We recommend that management take immediate appropriate action to designate a water attendant to be trained by the contractor for the operation of the water stations.
112. Management informed this Office that the finding was forwarded to the Office of Administrative Services (OAS) for comment and appropriate action however, OAS informed that the matter has been referred to the Court for consideration and appropriate action.

#### ***Unreliable Balances of Inventory Account – P490 Million***

**The balances of the Inventory accounts (Office Supplies, Accountable Forms, and Other Supplies Inventory) totaling P490,090,808.61 is of doubtful reliability and accuracy due to unrecorded issuances of P158,472,317.86 and unreconciled difference of P323,423,006.25 between the accounting and property records, which is inconsistent with the provision of Section 43 of the NGAS Manual, Vol. I. Further, the accuracy of the accounts is affected because of lack of physical count of inventories to substantiate the existence of the property.**

113. The Inventory accounts include Office Supplies Inventory, Other Supplies Inventory, and Accountable Forms Inventory are assets, which should be fairly valued and actually existing as presented in the financial statements. The physical inventory of these assets should be undertaken to ascertain the correctness of records and integrity of property custodianship.
114. Section 490 of the GAAM, Vol. 1 provides, among others, that inventory of goods and/or supplies and materials in stock shall be taken at least every six months, as of June 30 and December 31, each year, and shall be reported on appropriate form applicable for each type of property involved. These should be regarded with importance.
115. Sec. 65 of the Manual on the National Government Accounting System (NGAS), Vol. II requires government agencies to use the Report on the Physical Count of Inventories (RPCI) to report the physical count of supplies by type of inventory as of a given date which will show the balance of inventory items per cards and per count and shortage/overage, if any.
116. Section 43 of the Manual on the NGAS, Vol. I also states that:
- “The Accounting Unit shall maintain perpetual inventory records such as Supplies Ledger Cards for each inventory stock... The Subsidiary Ledger Cards shall contain the details of the General Ledger accounts. For check and balance, the Property and Supply Office/Unit shall maintain Property Cards (PC) for property, plant and equipment, and Stock Card (SC) for inventories. The balance in quantity per PC and SC should always reconcile with the ledger cards of the Accounting Unit.”*
117. It is also stated under Section 43 of the Manual on NGAS, Volume 1 that regular purchases shall be recorded under the Inventory account and issuance thereof shall be recorded based on the RSMI.
118. Further, Section 62 of the Manual on NGAS, Vol. II requires that the RSMI be prepared by the Supply Officer and these shall be consolidated to support the Journal Entry Voucher (JEV) drawn to record inventory issued.
119. As of December 31, 2010, the balance of the Inventory accounts of the Supreme Court and Lower Courts amounted to P490,090,808.61 per accounting records and P8,195,484.50 per property records, resulting in the unreconciled difference of P481,895,324.11, broken down as follows:

	Accounting Record		Property Record SC	Difference
	LC	SC		
Office Supplies	314,517,745.21	35,955,965.31	} 8,195,484.50*	481,895,324.11
Accountable Forms	4,048,139.76	21,581,112.34		
Other Supplies	26,185,640.95	87,802,205.04		
<b>Total</b>	<b>344,751,525.92</b>	<b>145,339,282.69</b>	<b>8,195,484.50</b>	<b>481,895,324.11</b>

- Inventory not classified

120. The existence and the certainty of the Inventory accounts could not be determined due to the following:

- a. The difference of P481,895,324.11 between the accounting and property records includes unreconciled items of P323,423,006.25 which are still subject for reconciliation/adjustment both for SC and LC.
- b. Furthermore, verification of LC records disclosed that there were issued inventories in an estimated amount of P158,472,317.86 were not covered by RSMI, including purchases directly delivered to end-users, and were still carried in the books caused by the irregular preparation and submission of RSMIs by LC - Property Division to the Accounting Division. The latest submitted RSMI was for CY 2009 issuances. Inquiry made with the Accounting Division revealed that RSMI for CY 2010 was not submitted regularly by the Property Division as basis in the drawing up of JEV.
- c. Purchases of printing supplies materials and accountable forms for SC were not included in the inventory report because these items were directly issued to the end-users.
- d. Purchase of printing supplies and materials amounting to P7,173,844.23 was recorded in the SC books as Office Supplies and Other Supplies Inventories. Verification of the Report of Supplies and Materials Issued (RSMI) from Printing Services submitted to the Accounting Division revealed that the quantity of some of the items did not agree with the supplies ledger cards. Only purchases were recorded in the supplies ledger cards (SLC) but no issuances were posted by the accounting because submitted Report of issued supplies was not in accordance with the prescribed e-NGAS format.
- e. The required semi-annual physical inventory taking of inventories was not conducted for Lower Courts while in the SC Proper, Property Office submitted Physical Supplies Inventory Report at year end, which did not conform with the prescribed form required in Section 65, Vol. II of NGAS Manual.
- f. The Report of Supplies Issued generated from the Court's Physical Assets Management Information System (PAMIS) and submitted by the SC - Property Division to the Accounting Division, together with the copies of unnumbered Requisition and Issue Slip (RIS), did not conform with the prescribed form of the RSMI required in Section 62 of the same Manual. The system encodes the purchases of supplies for each type of stock and whenever there is requisition for supplies, the copy of unnumbered RIS is encoded then at the end of each month, this will be an attachment to the Report of Supplies Issued.
- g. Stock Cards (SC) were not updated hence no basis to determine the latest balance of quantity of stocks at a certain date which is required under Section 41 of the same Manual.

121. This was noted in the previous year audit observation which was not acted upon.

122. We recommend that management:

- a. Require the Property Division to prepare and submit RSMI in the prescribed form regularly to the Accounting Division to support JEV preparation for the recording of issuances;
- b. Maintain an updated perpetual inventory records (SC and SLC) for all inventory items to ascertain the accuracy of the inventory account balance; and
- c. Require the Inventory Team to undertake complete physical inventory at least every six months, as of June 30 and December 31, each year, and submit results thereon in a prescribed form in order to ascertain the correctness of the inventory balance and early detection of possible losses;
- d. Set a deadline within which the Accountant with the assistance of the Property Officer will be able to eliminate the unreconciled difference between the General Ledger (GL) balances and Property records. Conduct periodic reconciliation of both records to detect errors in recording and other reconciling items, and effect necessary adjustments.

123. Management commented the following:

- a. SC Accounting and Property Division agreed to comply with the audit recommendations.
- b. The Property Division will submit the RSMI to the Accounting Division in year 2011.
- c. The Accounting Division will constantly coordinate with the Property Division for the reconciliation of its records to reflect the correct amount of the supplies account.

***Unreconciled discrepancy of the Property, Plant and Equipment (PPE) accounts – P761,472,985.48***

**The balances of the PPE accounts totaling P1,543,724,880.83 (excluding Land, Land Improvements, Office Buildings, Other Structures and Construction in Progress- Agency Assets) as of December 31, 2010 remained unreconciled with the physical count of P2,305,197,866.21 due to (a) non-completion of actual physical inventory nationwide; (b) serviceable motor vehicles, which are still being used in the operation, were transferred to Other Asset account; (c) unrecorded transfer/disposal of IT equipment and donated motor vehicles, resulting in the discrepancy of P740,997,042.34.**

124. Section 491 of the GAAM Vol. I provides, among others, that "*All discrepancies between physical and book inventories must be investigated and cleared*"

*immediately. If necessary, written explanations shall be required from persons responsible.”*

125. Section 43, paragraph 4 of the Manual on the NGAS, Vol. 1 also provides, among others, that *"For check and balance, the property 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."*
126. Further, Section 66 of the same Manual, Vol. II requires that RPCPPE shall be used to report the physical count of property, plant and equipment by type as of a given date. The RCPPE shall show the balance of property and equipment per cards and per count and shortage/overage, if any.
127. The Property Division of the Supreme Court (SC) conducted a physical inventory of the PPE at SC Baguio, SC Tagaytay while in SC Main Office it was done only in some offices of the court or did not perform complete physical count as shown in the record book presented during audit. Despite the incomplete count, the concerned office submitted to the COA the Report on Physical Count of Property, Plant and Equipment (RPCPPE) in the total amount of P1,159,153,430.14. Likewise, the Property Division of the Lower Courts, Office of the Court Administrator submitted their inventory report of Equipment, Furniture & Fixtures and Books in the total amount of P1,146,044,436.07.
128. The balance of PPE accounts totaling P1,543,724,880.83 as of December 31, 2010 consist of the following:

<b>PPE</b>	<b>Amount</b>
Office Equipment	96,217,116.81
Furniture and Fixtures	439,107,697.39
IT Equipment & Software	725,662,913.18
Library Books	41,065,055.94
Communication Equipment	6,557,728.00
Firefighting Equipment and Accessories	2,256,252.00
Medical, Dental and Laboratory Equipment	1,245,946.00
Other Machineries & Equipment	111,368,397.27
Motor Vehicles	120,064,206.00
Other Property, Plant and Equipment	179,568.24
<b>Total</b>	<b>1,543,724,880.83</b>

129. Comparison of RPCPPE submitted by the Property Division of the SC and LC, with an aggregate amount of P2,305,197,866.21, and the book balance of P1,543,724,880.73, showed a difference of P761,472,985.48 as shown in the succeeding table:

Per Books as of December 31, 2010		Per Inventory Report 2010	Difference
SC	* 1,458,230,128.60	1,159,153,430.14	299,076,698.46
Lower Courts	85,494,752.13	1,146,044,436.07	(1,060,549,683.94)
<b>Total</b>	<b>1,543,724,880.73</b>	<b>2,305,197,866.21</b>	<b>(761,472,985.48)</b>

\* Includes JRSP and PHILJA

130. The discrepancy noted between the Accounting and Property records of the PPE accounts can be attributed to the following factors:

- a. PPE were still not properly classified by type and fund in the RPCPPE;
- b. Serviceable motor vehicles totaling P3,867,000.00 which are included in the RPCPPE were already transferred to Other Assets account in the SC - Accounting records. This procedure of transferring an item from PPE accounts to Other Assets account is done by the Accounting Division once its cost reaches the salvage value even if it is still serviceable and being used in operation;
- c. In JRSP books, various IT equipment transferred to Appellate Courts totaling P3,159,961.34 are still included in the inventory report and not yet dropped from the books as of December 31, 2010; while some IT equipment transferred to the Court of Appeals in the total amount of P1,502,125.47 were not included in the Inventory report but not yet dropped from the JRSP books; and IT Equipment transferred to Sandiganbayan in the total amount of P5,638,661.85 are still included in the Inventory Report;
- d. There were unrecorded motor vehicles in the books donated to PHILJA by the Federation of Filipino Chambers of Commerce and Industry, Inc and Canadian International Development Agency totaling P7,040,000.00 that were included in the SC inventory report;
- e. Some units were already disposed with a total amount of P12,562,292.00 and these were not dropped from the SC - books of account;
- f. Properties awaiting disposal and no longer included in RPCPPE are still recorded in the SC - PPE accounts instead of Other Assets account;
- g. Unserviceable properties of LC totaling P17,994,698.76 are still included in the RPCPPE; and
- h. Perpetual inventory records of LC such as PPE Ledger Cards (PPELC) of the Accounting and Property Card (PC) of the Property Division (SC & LC) were not updated and not reconciled with the RPCPPE.

131. Considering the foregoing noted deficiencies, the unreconciled difference would only be P740,997,042.34, shown as follows:

	<u>Per Books</u>	<u>Per Inventory</u> <u>Report</u>
	<b>1,543,724,880.73</b>	<b>P 2,305,197,866.21</b>
Serviceable motor vehicles transferred to Other Assets account	3,867,000.00	-
Unrecorded donated motor vehicles	7,040,000.00	-
Various IT equipment transferred to Appellate Courts	(3,159,961.34)	(3,159,961.34)
IT equipment transferred to CA still booked up	(1,502,125.47)	
Disposed PPE still recorded in the books	(12,562,292.00)	
Unserviceable properties of the LC still included in the RPCPPE		(17,994,698.76)
IT equipment transferred to SB		(5,638,661.85)
Adjusted Balance	<u>P 1,537,407,501.92</u>	<u>2,278,404,544.26</u>
Unreconciled Difference		<u><u>P 740,997,042.34</u></u>

132. Validation of prior years' recommendation revealed that Office Equipment, Furniture & Fixtures, IT Equipment, Communication Equipment, Firefighting Equipment, Medical & Dental Equipment, Other Machineries and Other PPE were still lump in one account titled "Equipment and Furniture" in the RPCPPE, thus management encounter difficulty in the reconciliation of the PPE accounts.
133. The disagreement of the balances between the accounting and property records and the deficiencies noted in the inventory reports cast doubt on the accuracy and reliability of the balances of the PPE accounts and Other Assets account as of December 31, 2010.
134. PHILJA management commented that the supposed discrepancy of P7,040,000.00 representing the total value of donated vehicles was not recorded in the PHILJA books to prevent double recording in compliance with the pertinent Court Circulars on acceptance and maintenance of donations received by the Court (A.M. No. 03-7-14-SC and A.M. No. 95-8-08-SC both issued in 2003) wherein the task of recording is within the responsibility of the Property Division and Accounting Division, FMBO of the Supreme Court.

135. For the JRSP, management commented that the Action Program for Judicial Reform (APJR) Inventory Team has been required to use the prescribed format in the next inventory taking and will reclassify the PPE by type. Transferred IT equipment will be dropped from the books as soon as the papers from the Property Division are received at the Accounting Division. Property Division will go over the list of assets, submitted by COA, with more than one year serviceable life but small to be considered as PPE and to make the necessary adjustments in the inventory report. It is also requested to update the PC and use the prescribed RPCPPE properly classified by type. The Accounting Division was also requested to prepare JEV for reclassification of the said assets and to update its PPELC.
136. We recommend that management:
- a. conduct complete actual physical inventory of PPE in SC-Main including all courts throughout the country and submit the corresponding reports thereon to the Auditor in accordance with Section 490 of the GAAM Vol. I and in the format prescribed in Section 66 (Appendix 63) of Manual on the NGAS, Vol. II;
  - b. require the Property Division to prepare the Inventory and Inspection of Unserviceable Properties or IIRUP as basis for the drawing up of a Journal Entry Voucher for dropping from the books the unserviceable properties carried in the PPE accounts pursuant to Section 64 of the Manual on the NGAS, Vol. II; likewise, require the concerned personnel of the Accounting Division to prepare the necessary adjusting entries to drop from the books all items that were already disposed;
  - c. record in the books the P7,040,000.00 donated motor vehicles of PHILJA and upon transfer of the said vehicles to the end user effect the necessary dropping from the books;
  - d. reclassify assets that are still serviceable and being used in the operation from Other Assets account to the respective PPE accounts of the affected assets. Only assets that are obsolete and unserviceable awaiting final disposition as well as those assets still serviceable but are no longer used are recorded in the Other Assets account; and
  - e. require the Property Division to submit to the Accounting Division the copies of the corresponding Invoice Receipts for Property transferred to Appellate Courts duly acknowledged by those Courts for proper dropping from the books.
137. Management commented that the Accounting Division and the Property Division will comply with the suggested audit recommendations likewise the created Inventory Team of Lower Court will address the matter.

*Unreliable Due to Officers and Employees account balance - P10.7M*

**JUDICIARY DEVELOPMENT FUND**

The account of Due to Officers and Employees is understated by P3,575,855.00 due to unrecorded Cost of Living Allowance (COLA) of officials and employees of the Lower Courts of the Supreme Court for 2010, contrary to Section 157 of the Manual on New Government Accounting System (NGAS), Volume III and Section 48 of the Government Accounting and Auditing Manual (GAAM), Volume III.

138. Section 157 of the Manual on NGAS states that the account Due to Officers and Employees is used to record the amount of liabilities due to officers and employees of the agency. The account is debited for payment or liquidation of obligations due to officers and employees and credited for unpaid salaries, fringe benefits and other emoluments and other obligations to officials and employees of the agency.
139. Section 48 of GAAM provides that “financial transactions shall be promptly recorded in accordance with the state accounting standards”.
140. The balance of the Due to Officers and Employees account as of December 31, 2010 is composed of the following:

<b>FUND</b>		<b>AMOUNT</b>
SC PROPER		
General Fund	849,370.68	
SAJ	615,846.65	
JDF	294,727.50	
JRP	2,639.00	
SC-GOP Counterpart Fund for Grants	23,300.00	
<i>Sub-total</i>		1,785,883.83
LOWER COURTS		6,501,223.20
OCA		2,438,143.44
PHILJA		9,749.24
<b>TOTAL</b>		<b>10,734,999.71</b>

141. The JDF balance of the Due to Officers and Employees account comprises the following:

<u>Office</u>	<u>SL Code No.</u>	<u>Amount</u>
Supreme Court	403-001	P3,666,715.00
Court of Appeals	403-002	( 3,550.00)
Lower Courts	403-005	
ATM Payroll - RCAO VII	403-005-0001	P19,338,007.02
Lower Courts - RCAO VII	403-005-00001	(22,830,722.02)
Other Officials & Employees of Lower Courts	403-005-006 to 694	<u>424,277.50</u>
<b>Balance as of December 31, 2010</b>		<b><u>P 294,727.50</u></b>

142. Verification of the account disclosed that obligations for the following recorded payments of COLA were not taken up in the books:

<b>Particulars</b>	<b>Date Paid</b>	<b>Amount</b>
<b>A. ATM Payroll - RCAO VII (403-005-0001)</b>		
COLA – March 2010	05/28/10	P 72,100.00
COLA – April 2010	06/07/10	65,900.00
COLA – November 2010	12/31/10	3,437,855.00
<b>TOTAL</b>		<b>P 3,575,855.00</b>

143. The above unrecorded obligations in the amount of P3,575,855.00 resulted in the understatement of the Due to Officers and Employees account by the same amount.
144. Moreover, it is noted that the court is maintaining two subsidiary ledgers (SL) for the account of the Lower Courts (403-005). During the CY 2010, unpaid obligations (COLA) due to officials and employees of the Lower Courts - RCAO VII totaling to P25,320,815.32 are recorded in the SL (403-005-0001) while payments of these obligations with the same amount are recorded in SL (403-005-00001).
145. The maintenance of two SLs for the account of Lower Courts resulted in the misleading/inaccurate balance at a certain period of time contrary to Section 35 of GAAM which provides that internal controls should achieve the objective of proper recording and reporting of transactions to ensure that reports are reliable, accurate and timely.
146. We recommend that management:
- a. record the amount of P3,575,855.00 under the Due to Officers and Employees account in order to present the correct obligations for payment of COLA of RCAO VII personnel; and
  - b. establish proper control by maintaining one subsidiary ledger/record for each subsidiary account.
147. Management assured that proper control has already been made in the setting up and payment of the Due to Officers and Employees account and in maintaining one SL for each subsidiary account in order that the same adjustments will not be committed again.

**Non-renewal of fidelity bonds of collecting officers**

**Fidelity bonds of 27 Clerks of Court/Accountable Officers assigned in Metropolitan Trial Court, Regional Trial Courts, Municipal Circuit Trial Courts, Municipal Trial Courts, Municipal Trial Courts in Cities were already expired as of December 31, 2010 contrary to Section 101 of PD 1445, exposing government funds to possible risks.**

148. Sec. 101 of Presidential Decree (PD) 1445 provides that “every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefore and for the safekeeping thereof in conformity with law and shall be properly bonded in accordance with law.”

149. Verification of the bonds of the Clerk of Courts and designated accountable officers of the Metropolitan Trial Court (MeTC) and Regional Trial Court (RTC) in the National Capital Region disclosed that 11 bonds were already expired as of December 31, 2010, to wit:

Name	Risk No.	Effective Date	Remarks
Atty. Monaliza A. Buencamino	DIC-09-3706R	11/10/09 to 11/20/10	Expired
Vilma C. Carilla	DIC-09-3149N	7/21/09 to 7/20/2010	Expired
Ma. Fe Brenda J. Traviño	DIC-09-3147R	7/21/09 to 7/20/2010	Expired
Plutarco T. Ramirez	DIC-09-2701N	4/21/09 to 4/20/10	Expired
Atty. Henry P. Favorito	DIC-09-3704R	11/10/09 to 11/20/10	Expired
Teresita S. Pablo	DIC-09-3246R	8/11/09 to 8/10/10	Expired
Atty. Zandra C. Bato	DIC-09-3603R	10/20/09 to 10/19/10	Expired
Atty. Engracio M. Escasinas, Jr.	DIC-09-3607R	10/20/09 to 10/19/10	Expired
Atty. Marivic S. Tibayan	DIC-09-2915R	6/10/09 to 6/09/10	Expired
Atty. Perlita V. Ele	DIC-09-2472R	3/27/09 to 3/26/10	Expired
Atty. Gemma L. Pelíño	DIC-09-2921R	6/10/09 to 6/09/10	Expired

150. Likewise, out of the 79 COCs/accountable officers cash examined by the Audit Groups in the regions, there were 16 COCs/AOs assigned in the regions whose bonds were already expired as follows:

Region	Court	No. of COCs
III	Regional Trial Court	2
	Municipal Trial Court	1
	Municipal Trial Court in Cities	1
	Municipal Circuit Trial Court	1

<b>Region</b>	<b>Court</b>	<b>No. of COCs</b>
IV	Regional Trial Court	2
V	Regional Trial Court	3
	Municipal Trial Court in Cities	2
VIII	Regional Trial Court	1
	Municipal Trial Court in Cities	1
X	Regional Trial Court	1
XI	Municipal Circuit Trial Court	1
	<b>Total</b>	<b>16</b>

151. The applications of the above expired bonds are being processed in 2011.
152. We recommend that Management require the Clerk of Courts and designated accountable officers to file application for bond/renewal of bond to the Bureau of Treasury.
153. Management commented that the Financial Management Office, Office of the Court Administrator (FMO-OCA) submitted the list of accountable officers and updates on their fidelity bonds. Should the FMO-OCA subsequently process the same and payment of their bonds were transmitted to the Bureau of Treasury, the renewed bond shall be submitted to the Commission on Audit.

#### **Non collection of insurance proceeds due to lapse of period to file claims**

**The failure of the Property Division to file the notice of loss for the damaged properties within the prescribed period with the Government Service Insurance System (GSIS) resulted in the non-collection of the insurance proceeds thus a waste of government funds in terms of premium payment for the damaged properties worth P2,429,083.91.**

154. GAAM Vol. 1 under Section 489 – *Insurance of property* provides: -

*“All heads of departments, commissions, boards, bureaus, offices of the national and local governments concerned except municipal governments below first class, government-owned and/or controlled corporations, subsidiaries and acquired asset corporations shall secure from the General Insurance Fund directly all insurances or bonds covering properties, contracts, rights of action and other insurable risks of their respective offices, including all those in which their respective offices have an insurable risk and all those in which they have an insurable interest only. For this purpose, no insurance agent or general agent shall hereafter be appointed or maintained to represent the General Insurance Fund and/or the Government Service Insurance System.*

*The officials shall submit their respective inventories of property every end of the fiscal year to the Commission on Audit, furnishing the GSIS with a copy of said inventory for appraisal of the amount of the premium to be paid for the insurance of the property reported (AO 33, Aug. 27, 1987)."*

155. The Supreme Court of the Philippines (SCP) insured yearly its properties in the Lower Courts nationwide. The premium is paid within sixty (60) days from receipt of the bill from the General Insurance Group, GSIS Headquarter Building, Financial Center, Pasay City. The insured properties covers office equipment, furniture, IT equipment and books against fire, lightning, typhoon, flood, theft and robbery. SCP is mandatory to file a Notice of Loss to GSIS, as requirement of the GSIS on its insurance policy, without unnecessary delay, within fourteen (14) days from date of accident or discovery of the loss of properties. In case of failure to file within the stipulated filing period of fourteen (14) days, the claim shall be subject to the prescription period of sixty (60) days applicable to all insurance lines.
156. The premium paid by the SCP to the GSIS were all put to waste because of late notification to GSIS of the occurrence of loss.
157. Presented below are some of the insurance claims totaP2429,083.91 that were denied due to late notification.

ACCOUNTABLE OFFICER	LOCATION	REASON OF LOSS	DATE OF INCIDENT	AMOUNT
Atty. Roy A. Alzaga	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	394,115.03
Socorro M. Basilla	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	194,952.49
Rodelyn S. Pujol	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	228,139.48
Marities L. Betito	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	307,121.59
Rosalita T. Barcelona	Legazpi City	Typhoon Reming	Nov. 30, 2006	144,915.75
Gina Bucayon	Muntinlupa City	Fire	Aug. 3, 2007	97,983.74
Zenaida Magayanes	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	199,156.4
Atty. Joseph D. Borja	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	199712.75
Theresa G. Ramirez	Valenzuela City	Theft/Robbery	July 10, 2007	59,658.00
Bella P. Gonzales	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	221,879.3
Magdalena D. Baleta	Legazpi City	Typhoons Milenyo & Reming	Sept. 27 & Nov. 30, 2006	151,250.30

ACCOUNTABLE OFFICER	LOCATION	REASON OF LOSS	DATE OF INCIDENT	AMOUNT
Hon. Manuel T. Sabillo, Daniel P. Paclibar, Salam Unggang	T. Lamitan, Tipo-Tipo, Tuburan, Province of Basilan	Fire	Jan. 28, 2008	230,199.08
<b>TOTAL</b>				<b><u>2,429,083.91</u></b>

158. Inquiry from the former Property Officer of LC revealed that the checklists were sent to the concerned accountable officers for the filing of request for relief, however documents submitted were not complete and it took several months for the completion of the supporting documents before filing it to GSIS. This practice of waiting for the completion of the documents has overlooked the due date of filing of notice to the GSIS which resulted in the denial of the insurance compensation and waste of government funds in terms of premium payment for the damaged properties worth P2,429,083.91.
159. Management admitted that there was indeed failure of the Property Division to file insurance claims within the prescribed period which was attributed either to the late report or incompleteness of the data coming from the accountable officers concerned.
160. We recommend that there should be strict compliance to the policy of the GSIS on notification of property losses to attain its main purpose in insuring the properties of the lower courts nationwide.

#### **JUDICIARY DEVELOPMENT FUND (JDF)**

**The income for CY 2010 of P885,887,644.88 marked an increase of P12,172,008.10 as compared to CY 2009 income of P873,715,636.78.**

161. The JDF was established under Presidential Decree No. 1949 on July 18, 1984 for the benefit of the members and personnel of the Judiciary to further ensure and guarantee the independence of the Judiciary as mandated by the Constitution. It is used to augment the allowance of the members and personnel of the Judiciary and to finance the acquisition, maintenance and repair of office equipment and facilities.
162. The Fund is derived from the increase in the legal fees prescribed in the amendments to Rule 141 of the Rules of Court, which became effective on October 1, 1984, and from other sources enumerated below as provided for under En Banc Resolution A.M. No. 99-8-01 promulgated by the Court on September 14, 1999, to wit:
- a. Sales of reports, books, periodicals, pamphlets or the like, printed by the Supreme Court (SC), Court of Appeals (CA), Sandiganbayan (SB),

unserviceable equipment and furniture, disposable records or papers; income derived from the pursuit or operation of transportation facilities for members and personnel of the Judiciary offered by the SC, CA, SB or the lower court; income derived from the grant of concessions to operate canteens or to provide other services; income derived from rentals of facilities.

- b. Fees collected from bar candidates or participants of seminars/workshops or conferences offered or conducted by the Court.
  - c. Fees authorized to be paid or collected by the Sheriffs, such as sheriff's commission.
  - d. Interest on deposits of income.
  - e. Interest on deposits of money paid to or deposited with COCs or other accountable officials of courts for any purpose, such as for interpleader, consignment, etc., which have been, or to be treated as trust fund or special fund.
  - f. Confiscated cash bonds, satisfaction of judgments against bonds and proceeds from the public sales of confiscated property bonds, in both civil and criminal cases where such bonds are posted.
163. Income from all sources are collected by the designated COCs of the LC stationed nationwide and by the cashiers of the SC, OCA, and those offices under the supervision of the SC, such as CA, Court of Tax Appeals (CTA) and SB. The fees collected are deposited by the COCs to the LBP in their localities under Savings Account No. 0591-0116-34, otherwise known as the main account. The SC keeps the books of the JDF.
164. As of December 31, 2010, the JDF had a total income of P885,887,644.88 indicating an increase of P12,172,008.10 as compared with the previous year's income of P873,715,636.78 as shown below:

Accounts	Acct. Code	2010	2009	Increase/ Decrease
Other Service Income	628	872,930,696.36	861,088,808.49	11,841,887.87
Interest Income	664	12,952,744.14	12,591,374.19	361,369.95
Other Fines & Penalties	679	4,204.38	35,454.10	(31,249.72)
Total		885,887,644.88	873,715,636.78	12,172,008.10

***Allocation of JDF Income***

**The allocation for COLA totaling P855,129,275.94 of the court personnel and for the acquisition, maintenance of office equipment for calendar year 2010 in the amount of P213,782,318.98 increased by 2.6% over last year's figures.**

165. Pursuant to the provisions of P.D. No. 1949, at least 80 percent of the Fund shall be used for cost of living allowances of the members and personnel of the Judiciary,

and not more than 20 percent shall be used for office equipment and facilities of the Courts located where the legal fees are collected.

166. The amount to cover the payment of COLA is transferred from the main account, Savings Account No. 0591-0116-34, to Current Account No. 3472-1000-59, the depository of the 80 percent of the JDF for the COLA of the Court personnel.
167. Likewise, the amount allocated for equipment is transferred to Savings Account No. 3471-0011-62. Whenever the Court pays for the acquisition of equipment, maintenance of facilities and other related expenses, funds are transferred to Current Account No. 3472-1001-72.
168. The 80:20 percent sharing is computed monthly based on the actual bank deposits. It has been the accounting practice of the Court since the implementation of P.D. No. 1949 to base the allocation for COLA and equipment/facilities/related disbursements on the actual bank deposits monthly or at any given date. To facilitate the computation, management requests the balance of the main account in order to determine the deposit received by the bank for the current month.
169. For Calendar Year 2010, the available fund balance of P1,071,823,475.54 of the JDF increased by P27,902,258.04 or 2.60 percent over last year's available fund of P1,043,921,217.50 as detailed below:

	2010		2009		Increase (Decrease)	%
Beginning Balance		2,911,880.62		627,311.26	2,284,569.36	78.46
Add: Deposits for the year:						
COLA - 80%	855,129,275.94		834,635,124.99			
Acquisition of Equipment./ Maintenance of Facilities-20%	213,782,318.98	1,068,911,594.92	208,658,781.25	1,043,293,906.24	25,617,688.68	
Total Funds Available		1,071,823,475.54		1,043,921,217.50	27,902,258.04	2.60

170. The analysis of the 20% share of the JDF under Current Account No. 3472-1001-72 is shown below:

Balance, January 1, 2010		P 31,901,436.50
Add: Transfer of funds (from Savings Account No. 0591-0116-34)	P178,266,047.56	
Deposits from FMO-OCA for Fiscal Autonomy account (Acct. # 3472-1003-18)	50,000,000.00	
Interests earned	286,263.35	
Adjustments on cancelled checks/erroneous recording	<u>153,992.53</u>	<u>228,706,303.44</u>
Total		P260,607,739.94

Less: Disbursements:			
Purchase of Equipment		P119,606,267.70	
Purchase of Motor Vehicles		13,056,996.43	
Purchase of Furniture & Fixtures		1,807,391.79	
Computer/Motorcycle/Handgun Loan		6,157,140.60	
Interest on Fiduciary & Confiscated/ Forfeited Bonds		16,500,000.00	
Construction of two (2) water refilling & purifying stations		1,072,485.70	
Transfer of fund to Fiscal Autonomy Acct.		50,000,000.00	
Tax Remittance		7,498,919.67	
Repair and Maintenance - Baguio Cottages	P2,637,070.21		
Supreme Court Offices	<u>818,423.98</u>	3,455,494.19	
Purchase of appliances, kitchenware, dinnerware, etc. (for Baguio Cottages)		2,275,685.86	
Termite control treatment		47,903.79	
Adjustments		<u>12,620.63</u>	<u>221,493,485.73</u>
Balance, December 31, 2010			<u>P 39,114,254.21</u>

171. As of December 31, 2010, balance of deposit accounts for equipment/facilities/related disbursements per LBP certification amounted to P1,196,563,625.36, broken down below:

Account No.	Amount
SA No. 0591-1758-07	357,270,052.31
SA No. 3471-0011-62	794,154,688.35
SA No. 3472-1001-72	45,138,884.70
Total	1,196,563,625.36

172. The allocation of the JDF should have been the amount indicated below if the allocation is based on the total income of P885,887,644.88 generated during the year:

COLA (885,887,644.88 x 80%)	708,710,115.90
Equipment/Facilities (885,887,644.88 x 20%)	177,177,528.98
Total	885,887,644.88

173. Management justified that the distribution of income was based on the balance of bank deposits at any given date and not on the balance per books in order not to delay the payment of COLA to its personnel.

## FOREIGN ASSISTED PROJECTS

### *Commitment Charges - P1.08 Million*

The slow/low availment/utilization rate of the loan for the Judicial Reform Support Project (JRSP) resulted in the payment of commitment fees totaling P1,079,393.31 for CY 2010 for the unwithdrawn principal amount of the IBRD loan by the government. The government had already paid accumulated commitment fees of US\$314,083.03 or P15,860,265.76 for the year 2004 – 2010.

174. One of the indicators to monitor and evaluate the project implementation progress and results is the disbursement rate. It is the cumulative amount of project expenditures incurred by the Government and withdrawn from the loan proceeds (as a percentage of the total loan amount). Actual disbursements as against the projected disbursement schedule.
175. The \$21.9M Judicial Reform Support Project Loan Agreement with the International Bank for Reconstruction and Development on October 2, 2003 became effective on December 04, 2003 and the expected closing date is December 31, 2009. The \$21.9M was projected to be disbursed from 2004 to 2009.
176. However, the IBRD extended its closing date to June 30, 2011. Reallocation of loan proceeds and amendments to the agreement was made to provide an increase in percentage of expenditures to be financed from the loan.
177. Section 2.05, Article II of the General Conditions of said loan agreement provides that:
- “The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to (i) eighty five one-hundredths of one percent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one percent (0.75%) per annum thereafter.”*
178. Verification made with the Bureau of the Treasury disclosed that the Government paid commitment fees amounting to P 1,079,393.31 charged for the non-withdrawal of loan for the period January to December 2010 due to slow/low utilization rate as presented below:

Value Date	Reference -JEV #	Amount	
		In US Dollar	In Pesos
April 15,2010	10-04-03437	12,633.44	562,491.28
October 15, 2010	11-10-09687	11,963.94	516,902.03
<b>Total</b>		<b>24,597.38</b>	<b>1,079,393.31</b>

179. Records showed that the cumulative amount projected to be disbursed as of the December 31, 2010 is P1,113,000,000.00. However, cumulative availments from the loan proceed only totaled P579,927,927.45 as of December 31, 2010 or 52 percent of the total loan amount within the project implementation period.
180. On the other hand, for CY 2010, the scheduled availment was P366,528,000.00 but the actual availment made by the Program Management Office (PMO) was only P34,752,000.00 or 9 percent.
181. The project's lag in loan disbursement was attributed to delay in the project implementation activities on civil works under Component C.3 which is the development of Pilot Model Courts' Infrastructure.
182. Component C.3 includes the rehabilitation and operation of Hall of Justice (HOJ) by setting up pilot model at Angeles City, Lapu-Lapu City, and Manila City HOJ. The rehabilitation/construction of the two former HOJ were undertaken by the China State Construction Engineering Corporation (CSCEC).
183. The construction/renovation and repair works of Lapu-Lapu HOJ and final Feasibility Study and Detailed Architectural and Engineering Design for the Manila City HOJ were completed as of December 31, 2010. The accomplishment and completion rate for the construction of Angeles City HOJ is only 44.65 percent. Construction activities were stopped in 2008 because of internal problems of the contractor. Nevertheless, a new Term of Reference (TOR) for the completion of the Angeles HOJ was required from the PMO for approval and search of new contractor is still on-going. Delayed completion of civil work contracts for the program of work resulted in the project's slow/low utilization/disbursement rate of the loan.
184. With the reorganized component of the Supreme Court's committees that oversee and coordinate the efficient and effective implementation of the JRSP programs/projects, there were still implementation issues during the year which resulted to the delay in the procurement and payment of works, goods and services. Hence, the World Bank continued to charge commitment fees on the Philippine Government account.
185. We recommend that management undertake the following courses of actions:
  - a. Immediately determine the needed budget for the remaining activities to complete the project component and return excess of the needed budget to avoid additional incurrence of commitment fees;
  - b. For the new contract on the completion of the HOJ in Angeles City, improve project monitoring and construction supervision to hasten the project completion and to address the delays or any problem in Project implementation immediately; and

- c. For future loan agreement, fast track the implementation of activities as scheduled in order to minimize incurrence of commitment fees/ any other losses.
186. Management commented that recommendations have already started to take place. Periodic Implementation Review Missions were held identifying strengths and weaknesses of the project, mapped out specific activities with corresponding budgets coupled with heavy emphasis on meeting timelines. PMO staff to serve as focal persons in the identified activities in order to fast tract and oversee the proper and timely implementation of project activities.

### **Error in recording the assets paid thru direct payment**

**Various furniture and fixtures purchased from the loan proceed thru direct payment totaling P42,545,713.30, but are still in the supplier's warehouse, were erroneously recorded in the books of accounts as debit to Other Assets account when it should have been recorded as a debit to Items in Transit contrary to the provisions of COA Circular No. 2004-008 dated September 20, 2004 thus, affects the fair presentation of the assets in the financial statements.**

187. The issuance of COA Circular No. 2004-08 dated September 20, 2004 updated the description of accounts under the New Government Accounting System (NGAS) wherein a list of general ledger accounts consisting of real and nominal accounts were presented and its usage were provided to facilitate identification and achieve uniformity in the recording of government financial transactions.
188. As provided under the said COA Circular, among others, the following accounts were described for proper recording in the books of transactions:
- a. Debit the amount of the cost/appraisal value of serviceable assets not used in operation and those waiting for disposal as *Other Assets* (code 290) and
  - b. Debit the amount of cost/appraised value of assets already paid but not yet received as *Items in Transit* (code 284)
189. Review of records showed that the SCP entered into a contract last July 03, 2008, with Modulplus Systems Corporation, for the supply, delivery and installation of furniture items, office partition and window blinds for Angeles City Hall of Justice in the total amount of P42,545,713.30 through direct payment method of loan availment.
190. As agreed by the parties, a constructive delivery of the goods shall be made at the Supplier's warehouse pending installation, free of charge. All items shall be stored at the Supplier's warehouse and that the Supplier undertakes to bear the risk of loss and damage after inspection for all the items stored therein, prior to its delivery at the Angeles City, Pampanga HOJ.

191. In the two progress billings, furniture and fixtures totaling P22,172,230.74 and P20,373,482.56 were inspected by the property personnel on August 26, 2008 and December 17, 2008, respectively.
192. On May 31, 2009, Journal Entry Voucher No. 2009-05-017603 was drawn to record the receipt of Non-Cash Availment Authority (NCAA) No. 2009-9015781 dated April 30, 2009 in the amount of P35,399,242.07 covering the authority issued by the DBM to record the direct payments made to suppliers/consultants/contractors for billings of Indra Sistemas for the 1st major deliverable-Enterprise Business Architecture and Information Systems Framework of P8,169,985.56 and of Modulplus System Corporation for the supply, delivery and installation of furniture items, office and window blinds for Angeles City HOJ in the net amount of P27,229,256.51. This was erroneously recorded in the books of accounts as follows:

	<u>Acct. Code</u>	<u>Debit</u>	<u>Credit</u>
Other Assets	290	42,545,713.30	
Consultancy Services	793	8,169,985.56	
Accounts Payable	401		11,912,799.72
Guaranty Deposits Payable	426		3,403,657.07
Subsidy Income from National Government	651		35,399,242.07

193. At present, the said furniture and fixtures inspected in 2008 are still at the supplier's warehouse pending the completion of the Angeles City HOJ.
194. Pursuant to COA Circular No. 2004-08 dated September 20, 2004, the supply, delivery of furniture items, office and window blinds should have been appropriately charged to Items in Transit account in the amount of P42,545,713.30 instead of Other Assets account considering that the items are still in the supplier's warehouse.
195. Thus, the error in recording understated the respective Items in Transit accounts for the assets in the supplier's warehouse and created a misrepresentation in the Other Assets account in the Balance Sheet that there are serviceable assets not used in operation and are waiting disposal by the Court totaling to P P42,545,713.30 when in fact there was none.
196. We recommend that the Chief Accountant prepare the necessary adjusting entries to correct the deficiency noted for proper and fair presentation of the accounts in the financial statements and to observe strict adherence to COA Circular No. 2004-008 dated September 20, 2004, updates of the NGAS Manual, Volume III.
197. Recommendation was well taken by management and journal entry voucher will be drawn for the reclassification.

## Audit of Cash and Accounts of the Accountable Officers

**An examination of the cash and accounts of the 109 out of 1,843 Clerk of Courts of the National Capital Region and Lower Courts nationwide disclosed deficiencies and discrepancies between the Subsidiary Ledger and Report of Collections and Deposits submitted by Clerk of Courts.**

198. Section 6.03 of COA Circular No. 95-006 dated May 18, 1995 states that, *“Accountable officers shall submit the records, receipts, disbursements, expenditures, operations and all other transaction together with the supporting documents, to the Chief Accountant in the manner and within the time frame prescribed under existing rules and regulations.”*
199. While Section 38 of the New Government Accounting System (NGAS) Manual, Volume II provides *“that the Cash Receipts Record shall be used by the designated Collecting Officer to record his/her collections and deposits.”*
200. Of the 1,843 Accountable Officers (AOs) of the National Capital Region and Lower Courts nationwide, cash examinations were conducted on the accountabilities of 109 AOs. The consolidated results are shown in the table below:

Observations	No. of AOs
f. Collections not recorded daily in cashbook, footed, ruled and certified	6
g. Report of Accountability for Accountable Forms (RAAF) were not prepared and submitted to COA.	10
h. Cashbook/Cash Receipts Records were not properly filled-up/updated.	7
i. Non-submission/late submission of Schedule of Unwithdrawn Fiduciary Fund	15
j. Request for DV's, OR's for verification not presented	1
k. Erroneous accounting entries	2
l. Unreconciled (1) GL & SL balances	10
m. (2) SL balances and cashbook	17
n. The prescribed disbursement vouchers are not used for withdrawal of bail bond and in some instances were not supported with original official receipts.	7
o. Forfeited bonds/interest were not remitted to BTR in violation of GAA General Provisions	9
p. Overage	1
q. No Vault or Safe is used for cash collections and accountable forms	2

<b>Observations</b>	<b>No. of AOs</b>
r. Unrecorded collection	1
s. Non-issuance of OR	2
t. Collections were not deposited intact/regularly	16
u. Fees collected not in accordance with the prescribed rates issued by the Supreme Court, DOJ, LRA	2
v. Unaccounted ORs	1
w. Unauthorized withdrawal due to absence of court order/ non-submission of original copy of OR	2
x. No proper turnover of accountabilities of the accountable forms	1
y. No reconciliation of remittance to SCP and DOJ	1
z. Inventory report not witnessed by COA	4

201. To correct the above deficiencies, we recommend that management require the COCs/Accountable Officers to:

- a. record collections and deposits daily in the Cash Receipts Record pursuant to Section 38 of the NGAS Manual, Volume II;
- b. submit reports to the Chief Accountant within five days after end of month for recording in the books of account and within ten days to the COA Resident Auditor pursuant to Section 6.03 of COA Circular No. 95-006;
- c. deposit collections intact and daily to authorized government depository bank pursuant to Section 21 of the NGAS Manual, Volume I;
- d. require Clerk of Courts to submit copy of SUFF to the Chief Accountant on quarterly basis pursuant to OCA Circular No. 50-95 dated October 11, 2005 and form part of the RCDW;
- e. submission of original Official Receipt upon withdrawal of deposit/bailbonds pursuant to COA rules and regulations;
- f. exercise due care in encoding collections and deposits in the Subsidiary Ledgers and review of entries with the Report of Collections and Deposits be made so that any error committed shall be adjusted accordingly; and
- g. require accountable officers to reconcile their books with the subsidiary ledger at least on quarterly basis.

202. Management commented that monthly financial reports with its supporting documents such as Official Receipts, deposit slips, court orders, withdrawal slips, acknowledgement receipts are submitted to the accounting division on or the 10<sup>th</sup> day of the following month pursuant to court's issuances. The report is evaluated, assessed before encoding to individual SL per fund/COC/AO. Failure of COC/AO to submit the required report without justifications will result to withholding of salaries and allowances without prejudice to the filing of administrative action against them. Records of this office shows that the reports in the SL disclosed no discrepancy on their monthly collections and deposits. Moreover, reports of Quarterly Unwithdrawn Fiduciary Funds are no longer submitted to the Accounting Division but to the FMD, CMO for their use in their financial audit. Cashbook of COC/AOs are not submitted to the Accounting Division for monitoring or control. To determine the update of entries in the collection, deposits, withdrawals by COC/AO, a financial audit will be necessary in which the function is within the FMD, CMO.
203. Reconciliation of accounts between the COC/AOs and Accounting personnel of their records shall be done on quarterly or at least annually to determine errors committed in the reporting/encoding of collections/deposits/withdrawals **Audit of Cash and Accounts of the Accountable Officers**

**Pilot Decentralized Project:**

**Regional Court Administration Office in the Seventh Judicial Region (RCAO 7)**

204. It is the policy of the Supreme Court (SC) to put in place reforms and other measures that will strengthen its judicial autonomy and improve administrative and financial efficiency.
205. To implement such policy, the SC, in its Resolution A.M. No. 06-11-09 SC dated November 14, 2006, authorized the operationalization of the pilot decentralized project and in particular the establishment of the pilot Regional Court Administration Office (RCAO) in the seventh judicial region, defined its functions and staffing, and designated the Court Administrator as the implementation head, among others. Under Administrative Order No. 16-2008 dated January 23, 2008, Chief Justice Reynato S. Puno designated Judge Cresencio Rafael C. Tan, Jr., the Presiding Judge of Regional Trial Court (RTC) Branch 30, Dumaguete City as the Regional Court Administrator of RCAO 7 and other personnel complement detailing them on full time basis with the corresponding positions in Pilot RCAO 7.
206. Likewise, in a resolution of the Court En Banc dated March 18, 2008 under AM No. 06-12-06-SC, the authority of the designated Regional Court Administrator and the Deputy Regional Court Administrator was defined. Said En Banc Resolution provides for the policies and measures for the guidelines of the RCAO. However, the said project was implemented only in the middle of CY 2008.

207. Separate books of accounts were being maintained by the pilot RCAO 7 and financial reports were forwarded to the Lower Court of the Supreme Court for consolidation.
208. Hereunder are the other deficiencies observed in the course of audit by the COA Audit Team headed by Ms. Aniceta P. Pilapil, Supervising Auditor and Ms. Ma. Daisy O. Bercede, Audit Team Leader, RCAO 7:

*a. Failure to use the Cash Receipts Record*

**The RCAO7 failed to use the Cash Receipts Record (CRR) to record the collections and deposits of the collecting officer for the day in violation of Section 38, NGAS Manual, Volume II thus, casting doubts on the accuracy and reliability of the cash balances as of a certain period.**

We recommended that RCAO7 management instruct the accountable officer to use the prescribed Cash Receipts Record in recording transactions to show the actual accountability of the cashier as of a given period thus, maintain their relevance and value to the users of the report in controlling operations and making decision in consonance with the sound internal control system.

*b. Non-recording of Fiduciary Fund and Sheriff's Trust Fund beginning balances*

**The RCAO7 failed to take up in the books of accounts the beginning balances of Lower Courts' Fiduciary Fund (FF) and Sheriff's Trust Fund (STF) accounts, as required by law, rules and regulations, thus resulting in understatement of assets and other related accounts.**

We recommended that RCAO7 management request in writing from the Finance and Accounting Division of SCP for data or records of the beginning balances of the FF and STF accounts of various Lower Courts as basis in recording in the books of accounts in the region.

***Establishment of Provident Fund***

**The Supreme Court has not established the Provident Fund but it is implementing the objectives of a Provident Fund as set forth in Executive Order 641 dated July 25, 2007 through its savings/loan facilities and multi-purpose development cooperative.**

209. EO 641 dated July 25, 2007, Section 1 of said EO authorizes the establishment and administration of a Provident Fund as it states that:

*“A Provident Fund is hereby authorized to be established in each government agency to be administered in accordance with the objectives, policies, governing structure and general guidelines indicated herein.”*

210. Section 2 of the said EO also provides that:

*“The Provident Fund shall serve as a savings and loan credit facility that may cater to the needs of government officials and employees and shall provide supplementary welfare benefits from the fund. (Underscoring supplied).”*

211. Presently, there are two entities in the Court that provide savings and loan credit facilities to SC members namely, Supreme Court Savings and Loan Association, Inc. (SCSLAI) and Supreme Court Multi-Purpose Development Cooperative, Inc (SCMPDCI).
212. Aside from the loans or credit extended to SCSLA and SCMPDCI qualified member, benefits embodied in Section 5.5 of the DBM Budget Circular No.2008-3 dated June 20, 2008, implementing rules and regulations of E.O. 641, are being enjoyed by members of the SCSLAI and SCMPDCI except the inclusion of the employer’s share in the return of personal share/contributions of the members. Members of SCSLA and SCMPDCI also received dividends declared in a year ranging from 30% to 34% and 15% to 18%, respectively.
213. SCSLAI and SCMPDCI members are privileged to refund its capital contributions even if a member is already inactive or no longer in SC service. Moreover, a resigned, separated or retired SC member can retain his capital contribution in these entities and it is only upon the death of the member when his capital contribution is being return.
214. As regards to SC health benefits, the SC Health and Welfare Plan provides health benefits to the Judiciary employees. The Court allocates P42 million from its savings to finance the Health Maintenance Organization (HMO) of the SC employees while the Office of the Court Administrator allocated P50 million for the reimbursement of health expenses of the Lower Court employees.
215. The maximum medical benefits for the LCs employees consist of P20,000.00 for outpatient, P50,000.00 in case of hospital confinement for non-dreaded diseases while P70,000.00 for dreaded diseases and the maximum burial aid benefits is P20,000.00.
216. Presently, each SC Justice is being deducted the amount of P1,000.00 a month or a total of P12,000.00 per year while P250.00/P150.00 every month or a total of P3,000.00/P1,800.00 a year is being deducted from a SC employee depending on the salary grade. On the other hand, LC employees are uniformly deducted the P75.00 a month or a total of P900.00 a year.
217. Section 3 of the same E.O. provides the policies, among others, that “Membership in the Provident Fund shall be voluntary”.

218. With this policy, the Court commented that the establishment of Provident Fund is voluntary depending on the consensus of the Agency and its employees and not mandatory. There is no provision in E.O, 641 providing for penalty for its non-establishment.
219. The Court's SCSLA and SCMPDCI are already providing credit facilities to its employees and establishment of Provident Fund will be competing with these entities and will saturate the loans of the SC employees. Most of the benefits under the Provident Fund are provided by these two entities to its SC members.
220. The objective of Provident Fund of providing loan credit facilities and supplementary welfare benefits are being provided by their two entities, SCSLAI and SCMPDCI although it is not actually established.

### *Gender and Development Plan*

**The SC spent P477,276,024.62 or 4.28 percent of its total appropriation of P11,158,172,000.00 in implementing the Gender and Development Plan for CY 2010 which is almost the 5 percent prescribed under Section 32 of the General Provisions of R.A. 9970.**

221. Section 32 of the General Appropriations Act (GAA), CY 2010 (R.A. No. 9970), states that:

*“Programs/Projects Related to Gender and Development. All departments, including their attached agencies, offices, bureaus, SUCs, GOCCs, LGUs and other instrumentalities shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions in the Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Millennium Development Goals (2000-2015), the Philippine Plan for Gender-Responsive Development, (1995-2025), the Framework Plan for Women, and the Ten-Point Legacy Agenda of the Macapagal-Arroyo Administration. The cost of implementing the GAD Plan shall be at least five percent (5%) of the agency’s or local government’s total FY 2010 budget appropriations.*

*“The development of the GAD plan shall proceed from the conduct of gender analysis, the generation and review of sex-disaggregated data, and consultations with gender advocates and women clientele. Its implementation shall contribute to poverty alleviation, and economic empowerment especially of marginalized women, the protection, promotion and fulfillment of women’s human rights, and the practice of gender-responsive governance. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by the agency or local government.*

*“The preparation and submission of Annual GAD plans and annual GAD Accomplishment Reports shall be guided by Joint Circular No. 2004-01 issued by the DBM, NEDA, and NCRFW, as well as other guidelines on GAD Planning and Budgeting that may be issued by the appropriate oversight agencies.”*

222. The SC prepared GAD Plan for CY 2010 with a proposed budget of P381,178,043.91 which is 3.4 percent only of its total appropriation of P11,158,172,000.00 for CY 2010.
223. The Court accomplished/ conducted the following major GAD activities in line with its main thrust:
- a. Conducted regular meetings of the GAD in the Judiciary;
  - b. Conducted three trainings for SC/LC personnel on Gender Sensitivity Training and Orientation on the Rule on Administrative Procedure in Sexual Harassment and Guidelines on Proper Court Decorum in the Judiciary;
  - c. Conducted National Summit on Family Courts to consolidate outputs from regional workshops for strengthening access to justice of women and children;
  - d. Updating of an online gender corner for effective information dissemination;
  - e. Upgrading of Day Care Center facilities and conducted trainings for house parents, and activities for SC Day Care Center children; and
  - f. Facilitated the operations of designated Family Courts around the country.
224. Based on the provision of GAA for 2010, a minimum of 5 percent of the total SC's budget appropriation of P11,158,172,000.00 or P557,908,600.00 should be utilized for the GAD projects/programs. Verification of the actual disbursements disclosed that the actual amount spent for said activities was P477,276,024.62 which was 0.72 percent short of the required cost of implementing the GAD Plan.
225. Although the management almost meet the required utilization of the amount allocated for the GAD projects as authorized under Section 32 of R.A. 9970 (GAA 2010), it is still recommended to maximize the utilization of the amount allocated for GAD.

### ***Compliance with Tax Laws***

**The Due to BIR account under the General Fund has a negative/abnormal balance of P30,675,112.95 as of December 31, 2010, thus affecting the accuracy and reliability of the financial statement.**

226. For the calendar year 2010, the Court withheld taxes amounting to P476,454,448.74 from salaries and other compensation of the Court's officials and employees, various suppliers and contractors. The Court remitted to the Bureau of Internal Revenue the total amount of P490,776,687.25 as of December 31, 2010 leaving a negative balance of P104,892,348.80.

227. Out of the negative balance, P92,796,000.00 pertains to 2008 tax refund of the Lower Courts employees which will be taken up in the Tax Remittance Advice in July 2011 per approved NCA released by DBM.
228. On the other hand, the Due to BIR account under the General Fund has a negative/abnormal balance of P30,675,112.95 as of December 31, 2010, thus affecting the accuracy and reliability of the financial statement.
229. The Due to BIR account is used to record the amount of taxes withheld from the employees compensation/allowances and on the transaction being made from the dealers/private persons for remittance to the Bureau of Internal Revenue.
230. Analysis of Due to BIR account as of December 31, 2010 showed the following:

Balance Beginning, 1/01/10	( P 3,810,085.30)
Add: Withholding tax/adjustments	<u>99,289,578.44</u>
Total	P 95,479,493.14
Less: Tax remittances/tax refund and adjustments	<u>126,154,606.09</u>
Balance as of December 31, 2010	<u>(P 30,675,112.95)</u>

231. It can be gleaned from the preceding computation that there still an abnormal or negative balance of P30,675,112.95 for the said account. The total remittances to the Bureau of Internal Revenue (BIR) and refund of withholding tax to officials and employees aggregated to P126,154,606.09 or more than the total withholding taxes and adjustments deducted from the officials and employees and other parties totaling P99,289,578.44 during the year.
232. Verification of said account for the period April 2010 disclosed that the amount of taxes withheld was P8,687,467.49 while the remittances to the BIR amounted to P34,318,151.61 or a negative balance of P25,630,684.12. The negative balance includes the amount of P25,520,640.00 due to over remittance of taxes withheld specifically on honorarium received by the Supreme Court (SC) 2009 Bar Examiners.
233. The total withholding tax deducted from the said honorarium was P1,595,040.00, however, its remittance to BIR was P27,115,680.00 or an over remittance of P25,520,640.00. The computation was generated from the court's computerized system on withholding tax, wherein the total gross amount of (17) bar examiners totaling P10,633,600.00 was used as tax base amount instead of the tax base of each payee.

234. Computation is shown below:

Expanded Withholding tax on Professionals	Tax Base	Tax Rate	Total Tax Withheld/ Remitted	Remarks
Gross Amount of 17 Bar Examiners per DV No. 100309918	P 10,633,600.00	15%	P1,595,040.00	Booked up as Withholding Tax
Tax Remittance (10,633,060.00 x 17)	180,771,200.00	15%	27,115,680.00	Remitted on April 2010
Total Over remittance			<b>P25,520,640.00</b>	

235. The erroneous computation of tax remittance due to system error was overlooked in the processing/approval of Tax Remittance Advice thereby resulting in overpayment of remittance to BIR amounting to P25,520,640.00.

236. Moreover, the remaining negative balance, aside from P25,520,640.00, amounting to P5,154,472.95 is still subject for reconciliation by the management. With the system error this may be one of the causes of the abnormal balance of account Due to BIR.

237. We recommend that management:

- a. Analyze the negative/abnormal balance of Due to BIR account;
- b. File claim from the BIR for the immediate refund of tax credit in the amount of P25,520,640.00;
- c. Require Management Information Systems Office (MISO) to review and update the computerized system on computation of withholding tax/remittance to correct the error encountered;
- d. Exercise due prudence in performing individual tasks to prevent recurrence of the same problem in the future; and
- e. Exert extra effort to hasten the reconciliation of the liability set up and remittances to reflect the correct balance of the account Due to BIR.

### PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

We have followed-up the actions taken by the Agency to implement the prior year's audit recommendations and noted the following:

No. of Recommendations	Status of Implementation
3	Fully Implemented
5	Partially Implemented
8	Not Implemented
<b>16</b>	<b>Total</b>

The results of our validation are as follows:

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
1. The Cash in Bank-Local Currency, Current Account and the Cash in Bank-Local Currency, Savings Account with year end balances of P559,518,537.67 and P6,218,466,062.87, respectively included the Trust Fund accounts and the Philippine Mediation Center (PMC) trust receipts amounting to P5,286,615,780.43 and P96,899,396.50, respectively, or a total of P5,383,515,176.93 which the agency did not remit to the Bureau of Treasury (BTr) as	2009 AAR	The Court issued an En Banc Resolution dated January 18, 2011, stating therein the distinction of collections from fees and charges and resolved that the audit recommendation in AAR CY 2008, for the SCP to remit the amount P4,838,976,011.86 and all subsequent collections of trust and other receipts with the Bureau of the Treasury is <i>without legal basis</i> . As of December 31, 2009 the total amount of P5,383,515,176.93 is still deposited in the LBP.	Not Implemented	The En Banc Resolution was referred to NGS, Cluster B for final consideration and further instructions.

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>required under the provisions of Executive Order No. 338 dated May 17, 1996, Section 6 and 7 of the General Provisions of the General Appropriation Act of 2009 and COA-DOF-DBM Joint Circular 1-97 dated January 2, 1997.</p> <p>Require the concerned officials of the Supreme Court to remit all existing balances of trust receipts deposited with the Land Bank of the Philippines in the total amount of ₱5,383,515,176.93 to the Bureau of the Treasury and subsequent trust collections in conformity with the above-mentioned regulations to enable the government to maximize the use of these sources.</p>				
<p>2. The consolidated book balances of the <i>Cash in Bank–Local Currency, Current Account</i> of the General Fund, Judiciary Development Fund and Special Allowance for Judiciary as of December 31, 2009 in the amount of P559,518,537.67 were misstated resulting from delayed and/or non-</p>	<p>2009 AAR</p>	<p>The bank reconciliation statements (BRS) for the different accounts as per attached schedule<sup>1</sup> have been finished as of December 31, 2009. The BRS of the SAJ, JDF, and the Halls of Justice Payroll accounts, as of August 2010, have already been submitted to COA. The BRS for the MDS accounts, as of September 2010, have also been submitted. The unreconciled difference due to closed</p>	<p>Partially Implemented</p>	<p>As of December 31, 2010 the latest submitted BRS for almost all of the accounts is from July to September 2010. However, reconciling items in the books of accounts were still unadjusted as of</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>preparation of bank reconciliation statements and non-recording/uncorrected reconciling items. The balances per bank amounted to P723,129,891.67 or a difference of P163,611,354.00, which remained unadjusted.</p> <p>Analyze records to account for the unreconciled prior years' discrepancy;</p> <p>Record all reconciling items in the books;</p> <p>Promptly prepare bank reconciliation statements every end of the month in accordance with Section 74 of P.D. No. 1445 for all depository bank accounts as of December 31, 2009; and</p> <p>Provide the LBP with the schedule of bank reconciling items and advise the LBP to correct identified bank errors.</p>		<p>account and negative balance in the books of accounts cannot be corrected until COA has acted on our request to write-off the negative balances. Part of the unreconciled difference is due to deposits in the PNB which is already closed and which consists of an outstanding balance of P129,926,414.79 in the Supreme Court (SC) books and a negative balance of P129,752,966.17 in the lower courts (LC) books as of December 31, 2008. Our request to write-off the account pursuant to a Court resolution is now before the Adjudication Board and cannot be acted upon as yet because COA is looking at the possibility of passing of entries in the SC and LC books.</p> <p>Adjustments in the book of accounts will be effected only upon receipt of the approval of the request for writing off from COA-CO. The opening of the Fiscal Autonomy (FA) account by OCA was authorized during the reorganization in 1996 but was eventually directed to be closed and transferred to the FA account of the SC. The amount represents disbursements against the combo account-FA, details of which can be determined only after the reconciliation of the account but which is not made possible due to lack of supporting documents. The account had been transferred</p>		<p>December 31, 2010, thus the discrepancy still exists between per bank and per book balances.</p> <p>With regard to the negative balance of P129,926,414.79 in the Supreme Court (SC) books and a negative balance of P129,752,966.17 in the lower courts (LC) books, the request of the court to write-off the account is still in the process of evaluation by the COA, Adjudication Board.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
		to the Registry of Dormant Account together with the Contingent Assets and LBP.		
<p>3. The consolidated book balances of the <i>Cash in Bank–Local Currency, Savings Account</i> of the General Fund, Judiciary Development Fund and Special allowance for Judiciary as of December 31, 2009 in the amount of P6,218,466,062.87 were misstated resulting from delayed and/or non-preparation of bank reconciliation statements and non-recording/uncorrected reconciling items. The balances per bank amounted to P1,552,910,246.45 or a difference of P4,665,555,816.42 which remained unadjusted.</p> <p>Enforce the preparation of a timely and complete BRS on all depository bank accounts in accordance with Section 74 of P.D. 1445;</p> <p>Refer to COA Circular No. 97-001 dated February 5, 1997 relative to the guidelines on the proper disposition/closure of the dormant</p>	2009 AAR	The delay is due to the late receipt of the bank statements from the Land Bank of the Philippines (LBP) including the debit and credit memos. Continuous follow up with the LBP is being done so that corresponding entries could be prepared for taking up the adjustments appearing in the bank statements. BRS, as of December 31, 2010, which is due for submission to COA on March 31, 2011, will be submitted on time.	Not Implemented	As of December 31, 2010, no reconciliation/adjustment has been made for LBP SA # 0591-1496-44 (closed account), but still open in the books of account of the General Fund with a balance of P6,697,032.07.

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>accounts;</p> <p>Record all book reconciling the account in the financial statement; and</p> <p>Request from LBP copy/ies of the unrecorded debit and credit memo to facilitate recording in the books and updating of the reconciliation of closed depository account.</p>				
<p>4. The balance of the Due from Officers and Employees of P25,013,884.67, included a carry over negative balance of P2,726,589.29 as well as outstanding advances of P2,279,282.86 for travel and special purpose funds properly belonging to the Advances to Officers and Employees account, thereby misstating the balance of the account at year-end.</p> <p>Maximize the utilization of the amount allocated for the GAD projects as authorized under Section 29 of R.A. 9524 (GAA</p>	2009 AAR	<p>Per records of the Accounting Division, Fiscal Management and Budget Office (FMBO), a total of P1,256,449.21 unliquidated cash advances, as of December 31, 2009, was settled from January to December 21, 2010, either by submission of the necessary liquidation papers or by payment of the refund. Demand letters were released on July 29 and August 6, 2010 to Court officials and employees requiring immediate liquidation of cash advances.</p> <p>New cash advances are not being released to officials and employees with unsettled cash advances and those with balances. Moreover, the salaries and allowances of those with unliquidated cash advances have been</p>	Partially Implemented	<p>For General Fund accounts, the Due from Officers and Employees account in the total amount of P33,259.40 as of December 31, 2010 represents receivables from employees for prior years and still for settlement, while Advances to Officers and Employees for local and foreign travel, out of the unliquidated balance of P1,532,329.17, the amount of P1,261,225.15 was liquidated as of Dec.</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>2009).</p> <p>Direct the officials and employees concerned to liquidate their outstanding cash advances immediately, otherwise, suspend payment of their salaries until they comply with the directive;</p> <p>Strictly monitor the liquidation of cash advances and institute appropriate legal action, if warranted;</p> <p>Require the Accounting Division to exert more effort in the reconciliation and evaluation of cash advances granted for special purpose which are long overdue and the credit balance of P(2,726,589.29) so that proper adjustments could be made in the Accounting books; and</p> <p>Require signatories to clearance to ensure that all money accountability of applicants was fully settled before clearing the accountable personnel otherwise, they should be held liable.</p>		<p>withheld.</p> <p>The Accounting Division, FMBO continues to send demand letters to incumbent officials and employees, including those who are no longer in the service, for settlement of their accounts. Two former employees, Mr. Florante Danzalan and Ms. Jacqueline Lopez have already paid their outstanding cash advances as of February 2008 and April 2008 in the amounts of P3,520.00 and P2,280.00, respectively. Supreme Court employees also settled their outstanding cash advances totaling P420.00, as of December 31, 2009. A letter was also sent to the Accounting Division, Office of the Court Administrator (OCA), requesting for assistance as to certain outstanding accounts still appearing in the list but were transferred from OCA books. The Accounting Division, FMBO, has prepared an updated list of employees who are no longer in the service, per advice of the COA.</p> <p>As to the unliquidated cash advance of Judge Priscilla Agana, a demand letter, dated December 8, 2010, was again sent by PHILJA Vice-Chancellor Justo P. Torres, Jr. for the immediate settlement of her account.</p> <p>The outstanding cash advance of Atty. Peter</p>		<p>31, 2010. On the other hand, cash advances for special purposes of prior years totaling P346,103.33 are still to be liquidated as of December 31, 2010. Demand letters were sent for some of the accountable officers.</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
		<p>John Javier in the amount of P45,575.60 has been verified to remain unliquidated, as of this date; the liquidation papers having been returned to the Office on Halls of Justice three (3) times in 2007 for completion but were never returned to the Finance Division, FMBO. The matter has been reported to the Office of Administrative Services for appropriate reporting to the Court.</p> <p>In A.M. No. 10-5-10-SC, the Court directed the filing of criminal charges against Ms. Hyacynth Anne C. Rocillo, former News Analyst II and Special Disbursing Officer of the Public Information Office, for her unliquidated accountabilities.</p> <p>Reconciliation is ongoing for the accounts of Ms Bayuga, Ms. Emily Vasquez and Atty. Dave Ballesteros. There is difficulty in locating records since these accounts pertain mostly to prior years dating back to 1997.</p> <p>The balance of the Lower Courts (LCs) cash advance for travel amounting to P157,522.37 include balances forwarded since 1988. Notably, no cash advance was granted for 2009.</p> <p>The Office of the Court Administrator (OCA)-</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
		<p>Financial Management Office (FMO) previously requested for the write-off of dormant accounts amounting to P43,410.89 but was denied due to lack of supporting documents.</p> <p>As to the balance of LCs cash advance for special purpose amounting to P59,500.00, P50,000.00 was liquidated and for the balance, Atty. Roy Alzaga was required to show cause why his salary should not be withheld for non submission of liquidation report on July 3, 2010. In October 2010, Atty. Alzaga refunded the amount of P9,500.00 under official receipt no. 0609970 dated 10/18/10.</p>		
<p>5. Out of the 20 percent share of the JDF amounting to P208,658,781.25 allocated in 2009 for the acquisition, maintenance and repair of office equipment and facilities, the amount of P13,516,773.00 was used to finance the interest-free loan under the SC-Motorcycle, Computer and Handgun Acquisition Program (SC-MCHAP), which was supposed to be chargeable against the 80%</p>	<p>2009 AAR</p>	<p>No action was taken. All loans granted were still charged to the 20 percent share instead of the 80 percent and loan payments were still deposited to the account of JDF main account under LBP SA#0591-0116-34 and not to the account for the 20 percent share wherein the loan was charged.</p>	<p>Not Implemented</p>	<p>Management contended that pursuant to Sec. 2 of P.D. 1949, the 80% of the JDF is allocated monthly for the additional cost of living allowance (COLA) of judiciary personnel. The interest-free loan can no longer be accommodated by the 80% JDF since it would mean a substantial</p>

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<p>allocation as authorized in En Banc Resolution dated August 18, 1998 (A.M. No. 98-8-01-SC). Moreover, all collections from loan installment payments were deposited to the JDF main account instead of being deposited and returned to the account of the 20 percent share. Hence, the amount used to fund the SC-MCHAP has become unavailable for its intended purpose resulting to the depletion of the 20 percent JDF share.</p> <p>Charge all loans granted under the said program to the 80 percent share instead of the 20 percent share of the JDF as authorized under the En Banc Resolution dated August 18, 1998 (A.M. No. 98-8-01-SC); and</p> <p>Deposit loan installment payments to the account for the 20 percent share wherein the loan was charged.</p>				<p>diminution in the monthly additional COLA of judiciary personnel. Moreover, Sec. 1 of PD 1949 specifically provides that the 80% JDF is for additional COLA and not for other benefits, thus excluding the interest free loans extended to judiciary personnel from allowable charges against the 80% JDF.</p>
<p>6. The Other Receivables account totaling P41,178,117.23 included the unpaid balances of the</p>	<p>2009 AAR</p>	<p>No reclassification of account Other Receivable to Due from Officers and Employees was made as of Dec. 2010. Payroll</p>	<p>Not Implemented</p>	<p>Verification of the loan balance of employees with credit balance is still</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>employees' motorcycle and computer loan under the JDF in the amount of P30,666,484.00 instead of recording the same in the Due from Officers and Employees account. Moreover, there were 150 employee-borrowers with credit balances amounting to P515,615.45 thus affecting the validity of the account balance.</p> <p>Reclassify the above employees' loan from Other Receivables account to Due from Officers and Employees for fair presentation of the account in the financial statement; and</p> <p>Review/analyze the loan and the repayment of employees and determine cause/s for negative or credit balance to present the correct balance of the Other Receivables in the financial statement.</p>		<p>for refund to officials and employees who availed of loans under the SCMCHAP with credit balances and corresponding vouchers and checks for each individual borrower were prepared.</p>		<p>on going. Reiterated in Part II Observations and Recommendations of this Report.</p>
<p>7. Internal control on collection and monitoring of payments/settlement of employees' loans was weak/inadequate due to</p>	<p>2009 AAR</p>	<p>Monthly deductions for computer loans of justices from the Court of Appeals and Court of Tax Appeals were already made from the salaries/benefits of justices and being remitted</p>	<p>Not Implemented</p>	<p>Internal control on collection and monitoring of payments was still weak due to lax in the</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>(a) loans of employees/officials who had either retired, resigned, died, on absence without official leave or transferred to other office remained outstanding and included in the Other Receivables account; (b) late/non-payment/non-deduction of the required monthly installments resulting to delayed return/recovery of JDF fund; and (c) presence of borrowers credit balances totaling P515,615.45.</p> <p>Include in the guidelines for the implementation of the loan program the following:</p> <ol style="list-style-type: none"> <li>a. Person or Office responsible in issuing the notice to deduct the monthly loan payment</li> <li>b. Date and initial payment in the application form</li> <li>c. Principal amount of the loan and accumulated payments in the pay slip to inform/update the borrower of his/her loan;</li> </ol>		<p>to the Supreme Court.</p> <p>The subsidiary ledgers of officials and employees who availed of the loans under the SCMCHAP are being monitored and coordination is being done by the Accounting Division, FMBO with the Property Division, OCA and the electronic Data Processing (EDP) Division, FMBO regarding the setting up of accounts receivable and also on loan deductions and repayments.</p>		<p>implementation of their collection policy. Reiterated in Part II Observations and Recommendations of this Report.</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>Regularly send statement of account to borrower;</p> <p>Require the Accounting Office to make confirmation of account balance at least once a year;</p> <p>Strictly adhere and enforce the policy relative to the payment/settlement of loans as mentioned in the guidelines;</p> <p>Monitor employees' loan repayments regularly to avoid overpayment (negative balance), underpayment, non-payment and occurrence of minimal balances of loan;</p> <p>Review ledger cards of borrowers, who were separated from service due to retirement, resignation, transferred, death, etc., with outstanding loan and demand full payment of their unpaid loans; and</p> <p>Require signatories of the clearance of retiring, transferring employee with outstanding loan</p>				

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
balance to ensure that all money accountability of applicant was fully settled before clearing the debtor employee otherwise, they should be held liable.				
<p>8. The year-end balance of the Inventory accounts in the amount of P307,388,494.61 is misstated as all purchases and issuances during the year were not recorded. Further, Management failed to conduct the physical inventory taking as required under Section 490 of the Government Accounting and Auditing Manual (GAAM), Vol. I and reconciliation of the accounting and property records is difficult due to non-maintenance of updated perpetual inventory records.</p> <p>Require the Inventory Team to undertake physical inventory taking of all inventories completely at least every six months, as of June 30 and December 31, each year, and submit results thereon in a prescribed form in order to</p>	2009 AAR	<p>Per Property Division, OAS, inventory taking of all supplies (office, printing, drugs, medical and dental supplies, etc.) will be done on the third week of January 2011, after which the said division will submit its final report to the COA and the Accounting Division, FMBO.</p> <p>The OCA FMO is constantly coordinating with the Property Division to update the submission of Report of Supplies and Materials Issued (RSMI).</p>	Partially Implemented	<p>The Property Division submitted the Inventory Report as of December 31, 2010, however there is still unreconciled balance of P123,749,699.30 between the property and accounting records, hence reiteration of observation in the AAR CY 2010.</p> <p>The Supplies damaged due to the flood caused by typhoon “Ondoy” were not yet dropped from the books due to lack of supporting documents submitted by the aforementioned Division as stated in our Notes to Financial Statements.</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>ascertain the correctness of the inventory balance and early detection of possible losses;</p> <p>Prepare and submit RSMI regularly to the Accounting Division to support JEV preparation for the recording of issuances;</p> <p>Book up all purchases of inventory, including accountable forms (checks), drugs and medicine and construction materials, to the appropriate Inventory accounts except inventory procured out of Petty Cash Fund;</p> <p>Require the Property /Supply Officer to submit request for relief from accountability to the Auditor's Office, together with the required supporting documents, for the inventory items damaged due to flood and termites and the Accounting Division to book up the appropriate adjustments upon the grant/denial of such request;</p> <p>Require the SC Accountant to prepare and record the appropriate</p>				

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>adjustment/correction on the erroneous entry made for the continuous form checks and to record all accountable forms issued in the books of accounts;</p> <p>Maintain an updated perpetual inventory records (SC and SLC) for all inventory items to ascertain the accuracy of the inventory account balance; and</p> <p>Conduct periodic reconciliation of the property and accounting records to detect errors in recording and other reconciling items, and effect necessary adjustments.</p>				
<p>9. Procurement of supplies exceeds the three-month requirements contrary to Section 20 of R.A. 9524 (GAA 2009) resulting to overstocking and exposing the items to risk of loss thru theft or deterioration that may result to unnecessary wastage and depriving the use of funds for other activities of the SCP.</p>	<p>2009 AAR</p>	<p>Offices with more than three-month requirements were directed to monitor and conduct monthly inventory of their supplies. Further, bidding for the overstocked supplies was deferred until the overstocked items were consumed. Procurement is strictly monitored by the Procurement Planning Committee.</p>	<p>Fully Implemented</p>	

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>Improve its office supplies management by properly planning its procurement taking into consideration capacity to pay, the necessity, quality, quantity, time and storage capacity; and manage and monitor stock issuance. Coordinate with the different offices of the Court particularly the Property Division, Administrative Service and Financial Management Office. Stop the practice of one time delivery of supplies and observe the prescribed normal three-month consumption requirements in procurement and issuance/delivery of inventory pursuant to Section 428 of GAAM, Vol. I and Section 20 of GAA of CY 2009 to avoid loss thru pilferage/theft, damage and wastage of resources.</p>				
<p>10. The balances of the PPE accounts totaling P1,361,025,102.84 (excluding Land, Land Improvements, Office Buildings and Other Structures) as</p>	<p>2009 AAR</p>	<p>The Accounting staff in charge of the PPE reconciliation has been doing the verification and analysis of computer units acquired in the years 2002 to 2006, which were recorded in lump sum amount. The process includes</p>	<p>Not Implemented</p>	<p>The Property Division submitted the Inventory Report of PPE as of December 31, 2010, however difference of</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>of December 31, 2009 remained unreconciled with the physical count of P1,952,975,912.94 resulting to a discrepancy of P591,950,810.00, thus casting doubts on the reliability and accuracy of the account.</p> <p>Require the Accounting and Property Division to continue to review, analyze and reconcile diligently their records and prepare the appropriate adjustments when necessary in accordance with Section 491, GAAM, Vol. I, and Section 43 of the Manual on NGAS, Vol. I. We also recommend that management submit RPCPPE, with the items properly classified by type, in accordance with Section 66 of the Manual on NGAS, Vol. II.</p>		<p>verifying through invoices, purchase orders and other documents. Per Ms Felicitas Caunca, Chief, Property Division, Office of Administrative Services, the RPCPPE are being prepared regularly for timely submission to the Accounting Division.</p> <p>The Management Information Systems Office (MISO) provided access to the program on the PPE of the Property Division, OCA and verification and comparison of SC and OCA Property Division records are being done by the staff in charge of reconciliation.</p>		<p>P292,497,285.19 remained unreconciled between the property and accounting records, hence reiteration of observation in the AAR CY 2010.</p>
<p>11. The Due to BIR, Due to GSIS, Due to PAG-IBIG and Due to Other GOCCs accounts have negative/abnormal balances of P90,707,382.45, P74,352,091.59,</p>	<p>2009 AAR</p>	<p>The matter, which is a common problem national government agencies are having with the GSIS, is still the subject of continuing discussion between the FMBO, the OCA and the GSIS. Due to the ongoing reconciliation</p>	<p>Partially Implemented</p>	<p>There are reduction in the negative balance but still there are negative/abnormal balances for accounts Due to BIR,</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>P315,071.69 and P554,602.37, respectively, thus affecting the accuracy and reliability of the financial statement.</p> <p>Analyze the negative /abnormal balances of the accounts to ensure fair presentation in the financial statements;</p> <p>Determine the excess tax at the end of the calendar year which shall be credited or refunded to the employee not later than January 25 of the following year per Revenue Regulations No. 10-2008 dated July 8, 2008, Section 3.B.5(b) Annualized withholding tax method;</p> <p>Demand recovery from the GSIS of the overpayment and from the concerned personnel for their accountabilities. Update the personnel records and delete from the payroll the names of employees who are either retired, resigned, transferred to other</p>		<p>being done by the GSIS on the accounts of judges and court personnel, the matter cannot be fully implemented. The FMBO through its Cash Collection and Disbursement Division has been submitting reconstructed personnel records to the GSIS as soon as reconstruction for a certain yeas is finished.</p> <p>Per Ms. Araceli C. Bayuga, Chief, Cash Collection and Disbursement Division. FMBO, records for the years 1997 to 2002 wee already made available for the ongoing GSIS reconciliation. Reconciliation was temporarily stopped due to a reshuffle of GSIS employees. In the meantime, the Cash Collection and Disbursement Division continues to prepare the records for the succeeding years.</p> <p>The negative balance of the Due to PAG-IBIG account was verified to have resulted from a failure to set-up liabilities when the e-NGAS was implemented in 2007 and only remittance were taken-up. Entries will be prepared to adjust the account.</p> <p>The Accounting Division, FMO-OCA has been exerting extra effort in reducing the negative balances on these inter-agency payables and rest assured that appropriate</p>		<p>Due to GSIS and Due to Other GOCCs as of December 31, 2010, hence reiteration of finding in AAR CY 2010.</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>government offices and those without leave credits; and</p> <p>Exert extra effort to hasten the reconciliation of the liability set up and remittances made to PAG-IBIG to reflect the correct balance of the account <i>Due to PAG-IBIG</i>.</p> <p>Require the Lower Courts (LC) to make the appropriate correction on the erroneous entry and to exert extra effort to trace the cause/s of the negative/abnormal balances in order to present the correct balance of the account in the financial statement.</p>		<p>correcting entries will be made should the need arises and upon availability of supporting documents.</p> <p>Tax refund for 2008 will be taken up in the Tax Remittance Advice this July, 2011 in the amount of P 92,796,000 per approved NCA released by the Department of Budget and Management to cover funding requirements for the 2008 tax refunds due to lower court personnel.</p>		
<p>12. Commitment fees in the amount of P 1,320,124.97 were incurred for the unwithdrawn principal amount of the International Bank for Reconstruction and Development (IBRD) Loan No. 7191-PH for the Judicial Reform Support Project (JRSP) due to delayed project implementation.</p>	<p>2009 AAR</p>	<p>The following actions have been taken to avoid incurrence of commitment fees:</p> <p>a) The Court issued Memorandum Order No. 25-2010, reorganizing the Component Working Committees and Management Committee of the JRSP chaired by Associate Justice Teresita J. Leonardo de Castro, in order to fast track the implementation of projects.</p> <p>b) Memorandum Order No. 40-2010, dated</p>	<p>Partially Implemented</p>	<p>There are still incurrence of commitment fees which is inevitable due to unresolved problem issues.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>Immediately resolve the aforementioned implementation issues and implement the reforms and measures instituted during the year to fast track the procurement of works, goods and services and eventually avoid further incurrence of commitment fees.</p>		<p>August 13, 2010, was issued “Creating the Halls of Justice Coordinating Committee” chaired by the Honorable Chief Justice Renato C. Corona to oversee the progress of the Court's on-going infrastructure projects under the APJR, particularly the construction of model Halls of Justice. This committee regularly meets every week for a strict monitoring of the project implementation.</p> <p>c) Special meetings of BAC-APJR are being conducted to focus on the procurement of works.</p> <p>d) Revision of the Work and Financial Plan for the period from January 2010 to June 30, 2011.</p> <p>e) Amendment of Schedule I of Loan Agreement to 100% loan sourcing for all categories in order to increase the disbursement percentage.</p>		
<p><b>Pilot Decentralized Project:</b></p> <p>13. Regional Court Administration Office in the Seventh Judicial Region (RCAO 7)</p> <p>a. Non-recording of Fiduciary</p>	<p>2009 AAR</p>	<p>Management had sent a letter to the Chief of</p>	<p>Not</p>	<p>Failure to make follow</p>

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>Fund and Sheriff's Trust Fund beginning balances.</p> <p>Request in writing from the Finance and Accounting of the SCP for data or records of the beg'g balances of FF and STF accounts of various lower courts as basis in recording in the books of accounts in the region</p> <p>b. Non-preparation of bank reconciliation statements.</p> <p>Assign responsible accounting personnel to prepare and submit regularly to COA monthly bank reconciliation statements of its bank accounts. Likewise, it is recommended that RCAO7 management require the Clerk of Court of each Lower Court to prepare and submit monthly bank reconciliation statements of its respective Fiduciary and Sheriff's Trust Fund accounts.</p>		<p>Office, FMO, OCA but they have not received any reply</p> <p>No action was undertaken due to late arrival of bank statement resulted in the delay in preparation of BRS.</p>	<p>Implemented</p> <p>Not implemented</p>	<p>up on the letter request for the beginning balances.</p> <p>Failure to coordinate with the bank for the early release of bank statement</p>
<p>14. Cash shortages O P125,050.20 was incurred by Ms</p>	<p>2009 AAR</p>	<p>The COA finding on the cash shortage of Ms. Estrella Y. Nini, Clerk of Court II, 4<sup>th</sup></p>	<p>Fully Implemented</p>	

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
<p>Estella Y. Nini, Clerk of Court II of the 4<sup>th</sup> Municipal Circuit Trial Court (MCTC), Bago Cebu.</p> <p>Relieve Ms. Estrella Y. Nini from her duties and responsibilities while the case is still evaluated; institute appropriate administrative and/or criminal charges against her, if evidence warrants, pursuant to applicable laws of the revised Penal Code and Civil Service rules and regulations.</p>		<p>Municipal Circuit Trial Court, Bogo, Cebu in the amount of P125,050.20 was referred by the FMBO to the Court Management Office, OCA for appropriate action. The AO was relieved from her duties and responsibilities as AO.</p> <p>A financial audit was conducted on the books of Ms. Estrella Nini, Clerk of Court II, MCTC, Bogo, Cebu from April 11-15, 2011 by the Fiscal Monitoring Division</p>		
<p>15. Internal Audit Services otherwise named as the Internal Audit Division and Financial Service Division still perform regular operating activities contrary to Administrative Order No. 278 dated April 28, 1992, A.O. 70 dated April 14, 2003, and DBM Circular Letter No. 2008-5.</p> <p>Adhere and comply with the internal audit activities provided under A.O. 278. Stop the practice of participating in procedures which are essentially a part of</p>	2009 AAR	The matter is currently pending for the consideration of the Court under A.M. No. 09-8-13-SC.	Not Implemented	The management is still waiting for the Court resolution on the request of the approval of the implementation of Internal Audit Service of SCP.

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>regular operating activities of another unit in the agency such as pre-auditing of financial transactions and inspection, instead prioritize audit activities like systems evaluation on the adequacy/deficiency of internal controls on the organization and management, financial aspect, operating aspect, conduct of management and operations performance audit and recommend doable courses of actions on deficiencies identified.</p>				
<p><i>Gender and Development Plan</i></p> <p>16. The SC spent P408,528,958.37 or 3.69% of its total appropriation of P11,064,967,000.00 in implementing the Gender and Development Plan for CY 2009 which is less than the 5% prescribed under Section 29 of the General Provisions of R.A. 9524.</p> <p>Maximize the utilization of the amount allocated for the GAD projects as authorized under</p>	<p>2009 AAR</p>	<p>For the Annual GAD Plan and Budget for FY 2010 and FY 2011, the Committee on Gender Responsiveness in the Judiciary has prepared a comprehensive outline of programs/activities/projects for a total budget requirement of P381,178,043.91 and P471,971,512.64, respectively. Adjustments in the total GAD budget will be made based on actual implementation, including adjustments in Personal Services requirements of designated Child and Family Courts, which forms the bulk of the GAD</p>	<p>Fully Implemented</p>	<p>The Court implemented the plans and budget for their GAD Plan for the year 2010.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
Section 29 of R.A. 9524 (GAA 2009).		Plan and Budget, due to the salary increases authorized under Executive Order No. 900 and the third tranche implementation in 2011.		
<p>17. Interest earned on Fiduciary Funds and Forfeited/confiscated bonds amounting to P43,179,625.61 and P31, 463,335.00, respectively, or a total of P74,642, 960.61 were not remitted to the BTr contrary to Section 44, Book VI, E.O. No.292, series of 1987 and En Banc Resolution A.M. No. 05-3-35-SC dated January 31, 2006</p> <p>Remit fully all interest earned on fiduciary fund and forfeited/confiscated bonds to the BTr in strict compliance with the provisions of Section 44, Book VI of E.O. No. 292 s. 1987 and the aforesaid En Banc Resolution.</p>	2008 AAR	<p>Interest earned and forfeited/ confiscated bonds covering the period Jan.1, 2008-Dec.31, 2008 =P74,642,960.61</p> <p>For the period 2004-2007=P132,806,386.67</p> <p>Aggregate amount of = P207,449,347.28</p> <ul style="list-style-type: none"> <li>• Started remitting P1M/mo. in Nov. 2008 for the amount based on the agreed staggered payment scheme bet. COA and SCP officials for the 2004-2007 amounting to P132,806,386.67.</li> <li>• As of Dec. 31, 2009, almost 11% of the amount due to be remitted or P14,000,000. 00 was remitted to Bureau of Treasury (BTr).</li> <li>• For the calendar 2010, P18,000,000.00 was remitted to the BTr or a total of P32,000,000.00 as of December 31,2010 leaving a balance of P175,449,347.28</li> </ul> <p>The Court issued an En Banc Resolution dated January 18, 2011, wherein the Court ruled that:</p>	Partially Implemented	The En Banc Resolution was referred to NGS, Cluster B for final consideration and further instructions.

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
		<p>(1) Fiduciary funds in custodia legis shall remain under the custody and control of the courts, to be deposited and disposed of as the courts may direct in the exercise of their judicial functions</p> <p>(2) Interest on funds in custodia legis belongs to the owner of the principal of the funds and shall be returned to the owners as may be directed by the court, subject to a service fee of 10% per annum of the interest earned which shall accrue to the Judiciary Development Fund in accordance with PD 1949.</p> <p>(3) Interests on deposits of the JDF belong to the beneficiaries of the JDF, thus such interest form part of the JDF and shall not be remitted to the National Treasury.</p> <p>(4) Forfeited cash deposits made to guarantee undertakings in favor of the government and the interest thereon, are income of the government and shall be remitted to the National Treasury by the forfeiting court.</p> <p>(5) Fiduciary funds deposited with the Court in its administrative capacity, and not in custodia legis, shall be remitted to the National Treasury in accordance with Joint Circular No. 1-97.</p>		

<b>Observations and Recommendations</b>	<b>Ref.</b>	<b>Management Action</b>	<b>Status of Implementation</b>	<b>Reason for Partial/Non-Implementation</b>
		<p>(6) Unclaimed fiduciary funds of private parties, including the interest thereon, shall remain with the courts until a law is passed authorizing the escheat or forfeiture of such unclaimed funds in favor of the State.</p> <p>(7) The amounts previously remitted by the Court to the National Treasury under the staggered payment proposed by former Chief Justice Reynato S. Puno to the Commission on Audit shall be credited to whatever amounts the Court is required to remit to the National Treasury under paragraphs 4,5 and 6 above.</p>		

**Supreme Court of the Philippines  
Significant Decisions and Landmark Rulings**

**GR No. 188078, Aldaba v. Commission on Elections (COMELEC), January 25, 2010, Carpio, J.**

The Court declared RA 9591 creating a legislative district for the City of Malolos, Bulacan unconstitutional for being violative of section 5(3), Article VI of the Constitution and Section 3 of the Ordinance appended thereto as there is no showing that Malolos has attained or will attain a population of 250,000, whether actual or projected, before the May 10, 2010 elections.

**GR No. 180050, Navarro v. Ermita February 10, 2010, Peralta, J.**

The Court held RA 9355, creating the Province of Dinagat Islands, unconstitutional because it failed to comply with either the territorial or the population requirement prescribed in the Local Government Code (LGC) as required by Article X, sec. 10 of the Constitution. The Court likewise held null and void the provision in Article 9(2) of the Implementing Rules and Regulations of the LGC exempting the said proposed province composed of one or more islands from the land-area requirement as it cannot be considered an executive construction of the criteria prescribed by the LGC.

**GR No. 184740, Funa v. Ermita, February 11, 2010, Villarama Jr., J**

The Court held that the designation of respondent as Officer in Charge of the Maritime Industry Authority, concurrent with the position of Department of Transportation and Communication Undersecretary for Maritime Transport to which she had been appointed, violates the constitutional proscription in Art. VII, sec.13 of the Constitution against dual or multiple offices for Cabinet members and their deputies and assistants.

**AM No. 08-2-01-0, Re: Petition for Recognition of the Exemption of the Government Service Insurance System(GSIS) from Payment of Legal Fees, February 11, 2010, Corona, J.**

The Court denied the petition of the GSIS for recognition of its exemption from the payment of legal fees imposed under Section 22 of Rule 141 of the Rules of Court on government-owned or controlled corporations and local government units under its charter (RA 8291), holding that the 1987 Constitution took away the power of Congress to enact laws or issue orders that effectively repeal, alter, or modify any of the procedural rules promulgated by the Court and also that Congress could not have carved out an exemption for the GSIS from the payment of legal fees without transgressing the Court's fiscal autonomy.

**GR No. 188920, Atienza v. COMELEC, February 16, 2010, Abad, J.**

The Court held that while under Article IX-C, sec. 2 of the Constitution, the COMELEC has the power to settle the Liberal Party leadership issue, it cannot rule on the issue of expulsion of certain members of the party as that is an issue of party membership and discipline in which the COMELEC cannot intervene given the limited scope of its power over political parties.

**GR No. 189698, Quinto v. COMELEC, February 22, 2010, Puno, C.J.**

Granting the respondent's and intervenors' motions for reconsideration, the Court, among others, declared as not unconstitutional (1) Section 4(a) of COMELEC Resolution No. 8678, (2) the second proviso in the third paragraph of Section 13 of Republic Act No. 9369, and (3) Section 66 of the Omnibus Election Code which deem resigned appointive officials upon their filing of certificates of candidacy. The Court held that the foregoing provisions do not violate the equal protection clause as there are material and significant distinctions between appointive and elected officials.

**GR No. 160756, Chamber of Real Estate and Builders' Associations, Inc. (CREBA) v. Romulo, March 9, 2010, Corona, J.**

The Court dismissed the petition of CREBA questioning the constitutionality on the ground of due process of section 27 (E) of RA 8424 imposing the minimum corporate income tax (MCIT) on corporations and the revenue regulations (RRs) issued by the Bureau of Internal Revenue (BIR) to implement said provision and those involving creditable withholding taxes on sales of real properties classified as ordinary assets.

**GR No. 191002, De Castro v. Judicial and Bar Council (JBC); GR No. 191032, Soriano v. JBC; GR No. 191057, Philippine Constitution Association v. JBC; AM No. 10-2-5-SC, In re Applicability of Sec. 15, Article VII of the Constitution to the Appointments to the Judiciary, Estelito P. Mendoza; GR No. 191149, Peralta v. JBC; Corvera, Lim, Tan, Jr., National Union of People's Lawyers, Ubano, Integrated Bar of the Philippines- Davao del Sur Chapter, Boiser, Araullo, Bello, Women Trial Lawyers Organization of the Philippines, Intervenors; GR No. 191420, Tolentino v. JBC, March 17, 2010, Bersamin, J.**

Modifying its 1998 Valenzuela ruling, the Court, held that the prohibition under Art. VIII, sec. 15 of the Constitution that two months immediately before the next presidential elections and up to the end of his term, a President or Acting President shall not make appointments, except temporary appointments to executive positions when continued vacancies therein will prejudice public service or endanger public safety does not apply to appointments to fill a vacancy in the Supreme Court.

**GR No.189793, Aquino III v. April 7, 2010, Perez, J.**

The Court declared valid RA 9716, An Act Reapportioning the Composition of the First (1<sup>st</sup>) and Second (2<sup>nd</sup>) Legislative Districts in the Province of Camarines Sur and Thereby Creating a New Legislative District From Such Reapportionment. The Court held that Section 5(3) of the Constitution requires a 250,000 minimum population only for a city to be entitled to a representative, but not so for a province.

**GR No.190582,Ang Ladlad LGBT Party v. COMELEC, April 8, 2010,Del Castillo,J.**

Granting Ang Ladlad's petition, the Court ordered the COMELEC to grant the former's application for Party-list accreditation in the May 2010 elections, having had satisfied the exacting standards that the "marginalized and underrepresented sector must demonstrate (1) past subordination or discrimination suffered by the group; (2) an immutable or distinguishing characteristic, attribute, or experience that define them as a discrete group; and (3) present political and/or economic powerlessness."

**GR No. 162230 ,Vinuya v. Romulo April 28, 2010, Del Castillo, J.**

Dismissing the petition of members of the MALAYA LOLAS, a non-stock, non-profit organization registered with the Securities and Exchange Commission, established for the purpose of providing aid to the victims of rape by Japanese military forces in the Philippines during the Second World War, to, among others, compel the respondent Executive officials to espouse their claims for official apology and other forms of reparations against Japan before the International Court of Justice (ICJ) and other international tribunals, the Court held that the Executive Department has the exclusive prerogative to determine whether to espouse petitioners' claims against Japan .

**GR No.190529,Philippine Guardians Brotherhood, Inc. v. COMELEC, April 29, 2010, Brion, J.**

The Court ruled that the disqualification for failure to get 2% party-list votes in two preceding elections should be understood in light of the Banat ruling that party-list groups or organizations garnering less than 2% of the party-list votes may yet qualify for a seat in the allocation of additional seats. Thus, it held that the Philippine Guardians Brotherhood, Inc. is a qualified party-list group candidate in the May 2010 polls.

**GR No. 191771, Liberal Party v. COMELEC, Nacionalista Party, and Nationalist People's Coalition, May 6, 2010, Brion, J.**

The Supreme Court ruled that the COMELEC *en banc* gravely abused its discretion when it disregarded its own deadline in ordering the out-of-time registration of the NP-NPC coalition as its petition for registration as a coalition was time-barred. It also held that political coalitions need to register in accordance with the established norms and procedures, if they are to be recognized as such and be given the benefits accorded by law to registered coalitions.

**GR No. 191846, Guingona , Jr. v. COMELEC, May 6, 2010, Carpio, J.**

The Court granted petitioners prayer to compel COMELEC to make full public disclosure of its preparations for the May 2010 elections citing in particular, sec. 7, Article III and sec.28 of Article II of the on the people's right to information and the State's corresponding duty of full public disclosure of all transactions involving public interest, respectively.

**GR No.179431-32, Lokin v. COMELEC, and GR NO. 180443, Lokin v. COMELEC, June 22, Bersamin, J.**

The Court declared Section 13 of Resolution No.7804 of the COMELEC invalid and of no effect to the extent that it authorizes a party-list organization to withdraw its nomination of a nominee once it has submitted the nomination to the COMELEC.

**GR No. 183711, Burgos v. Macapagal Arroyo, June 22, 2010, Brion, J.**

The Supreme Court ordered the Commission on Human Rights to conduct appropriate investigative proceedings to identify the perpetrators and determine the other circumstances surrounding the 2007 abduction of Jonas Joseph T. Burgos, a farmer advocate and a member of *Kilusang Magbubukid sa Bulacan*.

**GR. No. 183133, Ma v. Fernandez, July 26, 2010, Perez, J.**

The Court ruled that three children of a Taiwanese father and a Filipino mother are still entitled to Filipino citizenship despite their failure to immediately register with the local civil registry after electing Filipino citizenship upon reaching the age of majority. It held that the three can still comply with the law on election of Philippine citizenship by using the legal remedy of late registration since they timely took their oath of allegiance to the Philippines.

**GR. No. 162335 & 162605, Manotok IV v. Barque, August 24,2010,Villarama, Jr., J.**

The Court declared Lot 823 of Piedad Estate, Quezon City, to legally belong to the national government without prejudice to the institution of reversion proceedings by the State through the Office of the Solicitor General .

**GR. No. 182555, Lumanog v. People; GR. No. 185123, Fortuna v. People; GR.No. 187745, Fortuna v. De Jesus, September 7, 2010, Villarama, Jr. , J.**

The Supreme Court affirmed the conviction of five men, whom the media had tabbed as the "Abadilla 5", for the murder of Col. Rolando Abadilla, former Chief of the Metropolitan Command Intelligence and Security Group of the Philippine Constabulary, now the Philippine National Police, who was ambushed in broad daylight while driving his car along Katipunan Avenue, Quezon City in 1996.

**GR No. 189155, Roxas v. Macapagal-Arroyo, September 7, 2010, Perez, J.**

Finding the investigation conducted by the police and the military into petitioner's abduction and torture deficient under the norm of extraordinary diligence, the Court, among others, directed the Commission on Human Rights to conduct a further investigation.

**GR No. 143855, Espina v. Zamora, September 21, 2010, Abad, J.**

The Court ruled that to the extent that RA 8762, the Retail Trade Liberalization Act, lessens the restraint on the foreigners' right to property or to engage in an ordinarily lawful business. It cannot be said that the law amounts to a denial of the Filipinos right to property and to due process of law as Filipinos continue to have the right to engage in the kinds of retail business to which the law in question has permitted the entry of foreign investors.

**GR No. 189546, Center for People Empowerment in Governance v. Commission on Elections, September 21, 2010, Abad, J.**

As the COMELEC has offered no reason not to comply with the requirement of the law, the Court granted the petition for mandamus in this case and directed the COMELEC to make the source codes for the Automated Election System (AES) technologies it selected for implementation pursuant to RA 9369 immediately available to petitioner and all other interested political parties or groups for independent review.

**GR No. 182574, The Province of Negros Occidental v. The Commissioners, Commission on Audit, September 28, 2010, Carpio, J.**

Consistent with the state policy of local autonomy as guaranteed by the 1987 Constitution, under Section 25, Article II and Section 2, Article X, and the Local Government Code of 1991, the Court held that the grant and release of the hospitalization and health care insurance benefits given to petitioner's 1,949 officials and employees were validly enacted through an ordinance passed by petitioner's *Sangguniang Panlalawigan*.

**GR No. 175573, Office of the Ombudsman v. Samaniego, October 5, 2010, Corona, C.J.**

Upholding the rule-making powers of the Office of the Ombudsman under Article XI, sec. 13 (8) of the Constitution and sec. 18 and 27 of RA 6770 (the Ombudsman Act of 1989), the Supreme Court held that the execution of the decision of the Office of the Ombudsman suspending a former City Treasurer of Ligao City, Albay is immediately executory and may not be stayed by the filing of the appeal or the issuance of an injunctive writ.

**GR No. 178552, Southern Hemisphere Engagement Network, Inc. v. Anti-Terrorism Council; GR No. 178554, KMU v. Ermita; GR No. 178581, BAYAN v. Arroyo; GR No. 178890, KARAPATAN v. Arroyo; GR No. 179157, IBP v. Ermita; GR No. 179461, BAYAN-ST v. Arroyo, October 5, 2010, Carpio Morales, J.**

Dismissing all six petitions questioning the constitutionality of RA 9372, the Human Security Act of 2007, the Court held that petitioners have no legal standing to question the validity of the law and failed to present an actual case or controversy. The Court found that petitioners have failed to show that the challenged provisions of RA 9372 forbid constitutionally protected conduct or activity that they seek to do.

**GR No. 164195, Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines (Land Bank), October 12, 2010, Brion, J.**

The Supreme Court ordered the Land Bank to pay petitioners Apo Fruits Corporation (AFC) and Hijo Plantation, Inc. (HPI) 12% interest per annum on the unpaid balance of the just compensation due them computed from the date the Government took their landholdings on December 9, 1996 for agrarian reform purposes until Land Bank paid on May 9, 2008 the balance on the principal amount. It explained that the rationale for imposing the 12% interest is in order to compensate the petitioners for the income they would have made had they been properly compensated for their properties at the time of the taking.

**AM No. 10-7-17-SC, In the Matter of the Charges of Plagiarism, Etc. Against Associate Justice Mariano C. del Castillo, October 12, 2010, Per Curiam**

The Court dismissed for lack of merit petitioner Vinuya, et al.'s charges of plagiarism, twisting of cited materials, and gross neglect against Justice Mariano C. del Castillo.

**GR No. 166910, Francisco v. Toll Regulatory Board (TRB); GR No. 166917, Marcos v. Republic; GR No. 173630, Gising Kabataan Movement, Inc. v. Republic; GR No. 183599, Republic v. Young Professionals and Entrepreneurs of San Pedro Laguna October 19, 2010, Velasco, Jr., J.**

The Court upheld the Supplemental Toll Operation Agreements (STOAs) covering the North Luzon Expressway (NLEX), South Luzon Expressway (SLEX), and the South Metro Manila Skyway (SMMS), ruling that the TRB has been statutorily endowed with the power to grant an authority to operate a toll facility/system and to issue the corresponding toll operating permit as well as the power to enter into contracts for the construction and operation of toll facilities; to issue, modify, and promulgate toll rates; and to rule on petitions relative to toll rates level and increases.

**GR No. 186560, Government Insurance System (GSIS) v. De Leon, November 17, 2010, Nachura, J.**

The Court ordered the GSIS to pay respondent Fernando P. de Leon, who had retired in 1992 as Chief State Prosecutor of the Department of Justice (DOJ), retirement benefits in accordance with PD 1146, subject to deductions, if any, computed from the time the same was withheld until April 7, 2010 as well as retirement benefits in accordance with RA 910, computed from April 8, 2010 onwards. The Court held that retirement laws should be liberally construed and administered in favor of the persons intended to be benefited, and all doubts are resolved in favor of the retiree to achieve their humanitarian purpose.

**GR No. 191618, Macalintal v. Presidential Electoral Tribunal (PET), November 23, 2010, Nachura, J.**

The Court held that the PET is an institution independent, but not separate, from the judicial department: and that the power wielded by the PET is a derivative of the plenary judicial power.

**GR No. 192935, Biraogo v. Philippine Truth Commission and GR No. 193036, Lagman v. Ochoa December 7, 2010, Mendoza, J.**

By a vote of 10-5, the Supreme Court struck down EO No. 1 creating the Philippine Truth Commission of 2010 for violating the equal protection clause of the Constitution as the Truth Commission's mandate to investigate and find out the truth concerning the reported cases of graft and corruption during the previous administration singles out the latter based on an **arbitrary** classification. On the issue of the power of the President to create the Truth Commission, the Court, voting 9-6, held that such power is given the President under Section 17, Article VII of the Constitution which imposes upon him the duty to ensure that laws are faithfully executed. This duty justifies the President's creation of ad hoc investigating bodies which allow inquiry into matters the President is entitled to know so that he can be properly advised and guided in the performance of his duties relative to the execution and enforcement of the laws of the land.

**GR No. 176389, and Lejano v. People, GR No. 176864, People v. Webb, December 14, 2010, Abad, J.**

By a vote of 7-4, the Court acquitted accused-appellants Hubert Jeffrey P. Webb, Antonio Lejano, Michael A. Gatchalian, Hospicio Fernandez, Miguel Rodriguez, Peter Estrada and Gerardo Biong of the crimes of which they were charged for failure of the prosecution to prove their guilt beyond reasonable doubt.

**AM No. 09-5-2-SC, In the Matter of the Brewing Controversies in the Election of the Integrated Bar of the Philippines, AC No. 8292, Magsino v. Vinluan, December 14, 2010, Corona, C. J.**

The Court, among others, held that “the rotation rule” directing the rotation of the position of Governor of a region among the Chapters is not absolute but subject to waiver as when the chapters in the order of rotation opted not to field or nominate their own candidates for Governor during the election regularly done for that purpose. If a validly nominated candidate obtains the highest number of votes in the election conducted, his electoral mandate deserves to be respected unless obtained through fraud as established by evidence. The “rotation rule” should be applied in harmony with, and not in derogation of, the sovereign will of the electorate as expressed through the ballot.

**SUPREME COURT OF THE PHILIPPINES**  
**ANALYSIS ON THE EFFECT OF THE MISTATEMENTS ON THE FINANCIAL STATEMENTS**  
**CY 2010**

Particulars	CASH	RECEIVABLES	INVENTORIES	PPE	Accum.Depr	Other Assets	Liabilities	GOV'T.EQUITY	INCOME	EXPENSES	Effect to the specific account
Net overstatement of Cash Collecting - Officers due to unrecorded collections and deposits of the Lower Courts (10,025,122.83)+75,513,288.17	65,488,165.34										$\frac{65,488,165.34}{933,362,538.40} = 7.02\%$
Understatement of Cash in Bank, LCCA due to unrecorded deposits of P75,513,288.17 of the Lower Courts and stale checks totaling P61,043,882.71 which remained unadjusted	136,557,170.88										$\frac{136,557,170.88}{503,423,234.33} = 27.13\%$
Net overstatement by P13,971,196.12 of the Other Receivables account resulting from the inclusion of the unpaid loans amounting to P19,092,098.26 and loans with negative balances totaling P666,361.79 of officials and employees which should be properly recorded under the Due from Officers and Employees and Due to Officers and Employees, respectively; and the misclassification of the unsettled cash advances totaling P611,327.14 of a retired judge to the cash accounts, PCF and Cash-Disbursing Officers, amounting to P 20,000.00 and P349,800.00, respectively, and Advances to Officers and Employees account in the amount of P241,527.14 and overpayment of salaries amounting to P3,843,213.21 of officials and employees who are deceased, retired or separated from service to the Due from Officers and Employees account. (19,092,098.26 - 666,361.79 - 369,800	369,800.00										$\frac{369,800.00}{1,299,059.82} = 28.47\%$
		13,971,196.12	(Other Receivables)								$\frac{13,971,196.12}{36,699,982.03} = 38.07\%$
			241,527.14	(Advances to Officers and Employees)							$\frac{241,527.14}{4,048,656.82} = 5.97\%$
Net understatement of the Due from Officers and Employees account resulting from the inclusion of the unpaid loans amounting to P19,092,098.26 of officials and employees which were erroneously recorded under the Other Receivables Account and overpayment of salaries totaling P3,843,213.21 of officials and employees who are deceased, retired or separated from service		15,248,885.05									$\frac{(15,248,885.05)}{37,782,055.28} = -40.36\%$
Overstatement of the inventory accounts (Office Supplies, Accountable Forms and Other Supplies Inventory) due to unrecorded issuances of LCs			158,472,317.86								$\frac{(158,472,317.86)}{490,090,808.61} = -32.34\%$



ANNEX B.1

Particulars	CASH	RECEIVABLES	INVENTORIES	PPE	Accum.Depr	Other Assets	Liabilities	GOV'T.EQUITY	INCOME	EXPENSES	Effect to the specific account
Understatement of Other Service Income due to unrecorded collections of the Lower Courts									10,025,122.83		$\frac{10,025,122.83}{1,873,214,404.61} = 0.54\%$
Understatement of inventory expense due to unrecorded issuances of LCs										158,472,317.86	$\frac{158,472,317.86}{34,743,287.26} = 456.12\%$
Net overstatement of Government Equity account due to various PPE totaling P17,224,378.81 either transferred or disposed of still recorded in the books and unrecorded donated vehicles worth P7,040,000.00								10,184,378.81			$\frac{10,184,378.81}{5,119,265,991.51} = 0.20\%$
Overstatement of Government Equity due to unrecorded obligations (COLA) paid during the year								3,575,855.00			$\frac{3,575,855.00}{5,119,265,991.51} = 0.07\%$

OVER ALL EFFECT TO  
TOTAL GOVERNMENT EQUITY

Deficiencies (over/under)  
Total Equity

$\frac{162,207,428.84}{5,119,265,991.51} = 3.17\%$

OVER ALL EFFECT TO  
TOTAL LIABILITIES AND  
GOVERNMENT EQUITY

Deficiencies (over/under)  
Total Liabilities and Government Equity

$\frac{71,400,689.34}{12,209,993,651.08} = 0.58\%$

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