



Republic of the Philippines
Supreme Court
Manila

EN BANC

**RE: CONTRACTS WITH ARTES
INTERNATIONAL, INC.**

A.M. No. 12-6-18-SC

Present:

CARPIO, *Acting C.J.*,
VELASCO, JR.,
LEONARDO-DE CASTRO,
PERALTA,
BERSAMIN,
DEL CASTILLO,
PERLAS-BERNABE,
LEONEN,
JARDELEZA,
*CAGUIOA,
TIJAM,
REYES, and
GESMUNDO, *JJ.*:

Promulgated:

August 7, 2018,

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RESOLUTION

BERSAMIN, J.:

We hereby consider and resolve the issues pertaining to the matters covered by the Report of the Office of the Chief Attorney dated June 20, 2012 (Report) on the Court's several contracts with Artes International, Inc. (Artes) that Ms. Evelyn Toledo-Dumdum (Ms. Dumdum) entered into as the Administrator of the Court's Program Management Office (PMO) relative to the following events and activities, namely:

1. National Forum on Liberty and Prosperity (National Forum)
held on August 24-25, 2006 at the Manila Hotel;

* On official leave.

2. Global Forum on Liberty and Prosperity (Global Forum) undertaken on October 18-20, 2006 at the Makati Shangri-La Hotel, Makati City; and
3. Other activities relative to the retirement of Chief Justice Artemio V. Panganiban (Chief Justice Panganiban) consisting of: (a) Musical Interlude at the Cultural Center of the Philippines on November 30, 2006; (b) Commemorative Program on December 6, 2006 at the Fiesta Pavillon, Manila Hotel; (c) Retirement ceremonies on December 6, 2006 at the Supreme Court Hall; and (d) the Celebration of the Life, Love & Achievements of Chief Justice Panganiban Event at the Pan Pacific Hotel on December 7, 2006.

The Office of the Chief Attorney submitted the Report in compliance with the instruction of the Court's Management Committee for the Judicial Reform Support Project (JRSP) at its April 24, 2012 meeting in Baguio City to "summarize [the] facts on the circumstances with Artes International, Inc. (Artes)."¹ The Report was based on the files submitted by the PMO to the Management Committee in said meeting, as well as on the twin studies the OCA had previously conducted on the Artes matter.²

Antecedents

On December 21, 2005, or shortly after his assumption of office, Chief Justice Panganiban announced his "judicial philosophy of safeguarding the liberty and nurturing the prosperity of the people under the rule of law."³ Conformably with his philosophy, the National Forum and the Global Forum were conceptualized and launched.

In planning for the National Forum and the Global Forum, Ad Hoc Committees whose memberships consisted of officers and employees of the Court's various offices were created. It appears, however, that the PMO further engaged an event organizer to assist the Ad Hoc Committees. Ms. Dumdung expressly confirmed so Memorandum PMO JRPAO 09-14-2007:

- 2.2. **To assist the Ad Hoc Committees, specifically by addressing the creative, logistical, physical and technical requirements** of the Forum, the services of an event specialists (sic), namely, Artes International, Inc. was engaged **based on the lowest responsive canvass** made by this Office. Artes was the same events specialist

¹ Rollo, Vol. I, p. 2 (*Report on Contracts with Artes International, Inc.*, June 20, 2012).

² Id. (see footnote 1 of the Report).

³ Id.

engaged during the conduct of the International Conference and Showcase on Judicial Reforms (ICSJR) held last November 2005.⁴

The following matters were further spelled out in the certification dated November 23, 2006 issued by the PMO, signed by Dennis Russel D. Baldago, Chief Judicial Staff Officer of the PMO and Vice-Chairperson of the Forum Secretariat; and Dennis T. Velasco, Logistics Management Officer V of the PMO; and noted by Ms. Dumdum, as follows:

This is in relation to the services rendered by Artes International, Inc. for the Global Forum on Liberty and Prosperity held last October 18-20, 2006 at the Makati Shangri-La Hotel, Philippines.

The evolving *requirements for the creative, physical and technical aspects of the Global Forum were finalized only after the conduct of the Academic and National Forum on Liberty and Prosperity last July 20 and August 24-25, 2006* respectively, barely eight (8) weeks or two (2) months to prepare for an international conference which will be participated (sic) by Chief Justices and Judges from ninety five (95) countries, delegates from the executive and the legislative departments of government, international development agencies, members of the diplomatic corps, judicial institutes, leaders of the foreign academe, international bar associations, foreign business chambers and civil society.

Thereafter, the *PMO solicited three (3) canvasses*, requested authorization from the Chief Justice to fund various activities during the Global Forum, and prepared the necessary Job Order to address the abovementioned requirements. The service provider with the lowest responsive proposal was also the same service provider during the International Conference and Showcase on Judicial Reforms held last November 28-30, 2005 at the Makati Shangri-La Hotel.

This is to further certify that there are limited providers for the abovementioned requirements of the Global Forum.

This Certification is issued at the request of Mrs. Adoracion Yulo, SC Chief Judicial Staff Officer, Finance Division and Ms. Lilianne E. Ulgado, Chief Accountant, Accounting Division.⁵

The services of Artes were extended to other activities related to the retirement of Chief Justice Panganiban on December 6, 2007.

1.

The National Forum and the Global Forum

The PMO first engaged the services of Artes for the International Conference and Showcase for Judicial Reform (ICSJR) in 2005. Based on

⁴ Id.

⁵ Id. at 13.

the records, the OCA found that Ms. Dumdum as the Administrator of the PMO entered into the following contracts with Artes, represented by its Executive Producer Helen R. Dabao (Ms. Dabao), and directly took part in authorizing several disbursements, as follows:

(1) The **letter-contract** signed on July 18, 2006 by Ms. Dumdum and Ms. Dabao for two logo designs at the total cost of ₱53,200.00, inclusive of VAT of ₱5,700.00. The disbursement voucher showed that the VAT was increased to ₱9,500.00. Check No. 24690, which was eventually issued to Artes on September 25, 2006, indicated only the amount of ₱43,700.00, which was charged to the **SC-JRSP WB LOAN**.

(2) The **quotation offer** dated August 1, 2006 signed by Ms. Dabao offering the services of Artes to undertake the video coverage of the National Forum for the total amount of ₱180,320.00, inclusive of VAT of ₱19,320.00. Ms. Dumdum affixed her signature beneath the word *Conforme*. The disbursement voucher for the total amount of ₱180,320.00 was prepared and the amount was charged to the **SC-JRSP WB LOAN** with the recommending approval of Ms. Dumdum.

(3) The **quotation offer** dated August 1, 2006 signed by Ms. Dabao offering the services of Artes for the audio-visual presentation entitled *Blueprint for Change*, with 10 pieces of DVDs as deliverables, at the cost of ₱666,261.12, inclusive of VAT amounting to ₱71,385.00. Ms. Dumdum affixed her signature to the quotation offer beneath the word *Conforme*. Based on the disbursement voucher, the VAT was again increased to ₱118,975.20, such that the amount of Check No. 24691 issued on September 25, 2006 payable to Artes became only ₱547,285.92, which was paid to Artes on September 27, 2006. The disbursement voucher indicated that Ms. Dumdum recommended the expenditure to be charged to the **SC-JRSP WB LOAN**.

(4) The **letter-contract** between Ms. Dumdum and Ms. Dabao (for Artes) entered into on August 10, 2006 for the Conference Proper of the National Forum. The **letter-contract**, written on the stationery of Artes, provided:

10 August 2006

EVELYN TOLEDO-DUMDUM
Program Director
Program Management Office
6th Floor Centennial Bldg.
P. Faura Street, Ermita
Manila

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Dear Ms. Dumdum,

Thank you for considering us to be able to serve your event requirements for the following:

Event Title: National Forum on August 24 & 25, 2006
"Prosperity & Liberty: Goals of Judicial Reforms"
Venue: Manila Hotel, Centennial Hall
Particulars: **Conference Proper Requirements**

I. Physical/Creative/Technical Management of the National Forum at Manila Hotel on August 24 & 25, 2006.

Please be assured that Artes International, Inc. shall render the same quality work as the past ICSJR conference if not even more efficiently and professionally. We look forward to working with you again in this conference.

The following are areas that were discussed and agreed upon:

1. That Artes shall provide script for your guidance;
2. That your office shall provide all Emcees for the said events;
3. That you are requiring video coverage of the event; and
4. That Helen Dabao, Executive Director of Artes International, Inc. shall oversee the execution, coordination and supervision of the conference proper on August 24 & 25, 2006; 8am to 5pm. Our services include the following:
 1. Provision of creative, production and technical staff with HELEN R. DABAO as Over-All Director and Executive Producer; other areas of concern
 2. Provision of production staff to include Technical Director, Lights Director, Writers, Production Manager, Stage Managers, Production Assistants, technical crew and utility men;
 3. Provision of lights & sound system, the screen/projector at the Centennial Hall and Backdrop bearing the official logo. Artes shall manage all coordination & supervision of the venue needed for the conference except booking guests and participants at the hotel.

For and in consideration of the above services ARTES INTERNATIONAL, INC. submits a package cost of all requirements in the Conference Proper amounting to **NINE HUNDRED NINETY EIGHT THOUSAND EIGHT HUNDRED FIFTY FOUR & 78/100 PESOS (PhP998,854.78)**

Please find attached the **Budget Breakdown** x x x of the total package cost of the project.

TERMS:

50% downpayment to be paid upon signing of conforme.

50% balance to be paid upon completion of the project.

Termination of contract after signing is subject to **50% fee of the total project cost**

Additional requirements shall be charged accordingly.

Quoted price is valid only until 18 August 2005.

Note: Please make cheque payable to **Artes International, Inc.**

We look forward to working with you. Should you have any questions and concerns, please do not hesitate to get in touch with us.

Thank you very much for giving us the opportunity to offer our services.

Again thank you and more power to you and your office.

**ARTES INTERNATIONAL, INC. SUPREME COURT OF THE
PHILIPPINES**

By:

By:

(Sgd.)

HELEN R. DABAO

Managing & Creative Director

(Sgd.)

EVELYN TOLEDO-DUMDUM

Program Director

The disbursement voucher shows that Ms. Dumdum recommended approval of the payment in the amount of ₱998,854.78 charged to the **“SC-JRSP WB LOAN.”**⁶

(5) About August 12, 2006, Ms. Dabao offered to supply 350 pieces of conference bags at ₱450.00/piece for a total of ₱176,400.00, inclusive of the ₱18,900.00 VAT, and 900 pieces of ID holder at ₱95.00/piece for the total price of ₱95,760.00, inclusive of the ₱10,260.00 VAT. The disbursement voucher disclosed that the total sum of ₱272,160.00 for the offered articles was charged to the **SC-JRSP WB LOAN** and the **JRSP (WB)-GOP Counterpart Funds** in the respective amounts of ₱243,160.00 and ₱29,160.00. Artes issued a **“Sales Invoice”** dated August 12, 2006 for both articles.⁷

(6) The **letter-contract** written on the stationery of Artes and signed on August 14, 2006 by Ms. Dumdum constituted the contract for services for the Closing Ceremonies of the National Forum held on August 24-25, 2006. The pertinent portions of the **letter-contract** stated:

⁶ Id. at 46.

⁷ At the joint meeting on August 4, 2006 of the Ad Hoc Committees for the two forums, four representatives of events specialist Artes, namely: Dabao, Pauline Galino, Maricris Calilung, and Anna L. Ventura, attended. Paragraph 3.1.4. of the Minutes of the meeting stated:

BAGS AND SOUVENIR ITEMS – The Joint Ad Hoc Committee approved the design of the bags to be provided for the participants of the two fora. For the National Forum, the Joint Committee chose the ‘back-with-banig’ design combination. The Supplier undertook to bring the finished samples of the souvenirs and bags in the next meeting.

As the only non-employees of the Court present at the meeting, the representatives of Artes could only be the “Supplier” referred to in the Minutes.

The following are areas that were discussed and agreed upon:

1. That we will provide script for your guidance;
2. That your office will provide all Emcees for the said events;
3. That you are requiring video coverage of the event; and
4. That Helen R. Dabao, Managing & Creative Director of Artes International, Inc. shall oversee the execution, coordination and supervision of the said event. Our services include the following:
 - a. Provision of production staff to include a Technical Director, Lights Director, Writers, Production Designer, Production Manager, Stage Managers, Production Assistants, technical crew;
 - b. Provision of lights and sound system for the Closing Ceremony.

For and in consideration of the above services ARTES INTERNATIONAL, INC. submits a package cost of all requirements in the **CLOSING CEREMONY** amounting to **SIX HUNDRED NINETY ONE THOUSAND ONE HUNDRED EIGHTY NINE & 04/100 (Php691,189.04)**

TERMS:

50% downpayment to be paid upon signing of conforme.

50% balance to be paid upon completion of project.

Termination of contract after signing is subject to **50% fee of the total project cost.**

Additional requirements shall be charged accordingly.

Quote price is valid only until **18 August 2006.**

NOTE: Please make cheque payable to **Artes International, Inc.**⁸

The OCA^t noted that the disbursement voucher for the expenditure was not among the records turned over by the PMO.

(7) The **letter-contract** for the “Welcome Dinner” was signed by Dabao and Ms. Dumdum on August 15, 2006. It had similar text as the letter-contract for the “Closing Ceremony,” viz.:

The following are areas that were discussed and agreed upon:

1. That we will provide script for your guidance;
2. That your office will provide all Emcees for the said events;
3. That you are requiring video coverage of the event;
4. That Helen R. Dabao, Managing & Creative Director of Artes International, Inc. shall oversee the execution, coordination and supervision of the said event. Our services include the following:
 - a) Provision of production staff to include a Technical Director,

⁸ Rollo, Vol. I, pp. 6-7.

Lights Director, Writers, Production Designer, Production Manager, Stage Managers, Production Assistants, technical crew and utility men;

- b) Provision of lights & sound system & Backdrop
- c) Provision of food for staff and production people; and
- d) Artes shall manage all coordination with the venue needed for the said event.

For and in consideration of the above services ARTES INTERNATIONAL, INC. submits a package cost of all requirements in the WELCOME DINNER amounting to NINE HUNDRED SEVEN THOUSAND SEVEN HUNDRED SEVENTY SIX & 41/100 PESOS (Php907,776.41)

TERMS:

- 50% downpayment** to be paid upon signing of conforme.
- 50% balance** to be paid upon completion of the project.
- Termination of contract after signing is subject to **50% fee of the total project cost.**
- Additional requirements shall be charged accordingly.
- Quoted price is valid only until 18 August 2006.

NOTE: Please make cheque payable to **Artes International, Inc.**

A disbursement voucher for the two *letter-contracts* in the total amount of ₱1,598,965.46 chargeable to the “**SC-JRSP WB LOAN**” was thereafter prepared. Dumdum affixed her signature thereon to indicate her recommendation for said disbursement.⁹

(8) Through an undated **Abstract of Bids**, the PMO conducted a canvass for other items intended for the National Forum, and Artes emerged as the “winning bidder” in that canvass.

The **Abstract of Bids** is quoted below:

SUPREME COURT
PROGRAM MANAGEMENT OFFICE
NATIONAL FORUM ON LIBERTY AND PROSPERITY
ABSTRACT OF BIDS

SOUVENIR ITEMS FOR SPEAKERS & PANELISTS; AND PENS DURING THE
NATIONAL FORUM ON LIBERTY AND PROSPERITY

Name of Bidders	Price Proposal (in PHP)	Compliance to Minimum Terms of Reference	REMARKS
ARTES INTERNATIONAL	35,224.00	Comply	Recommended for Award
OFFICEMAN	38,640.00	Comply	
CHATESU MANUFACTURING	39,480.00	Comply	

⁹ Id. at 7.

Canvassed by:	Recommended by:	Approved by:
(Sgd.)	(Sgd.)	(Sgd.)
MA. CRISTINA M. AGUILAR	DENNIS RUSSEL D. BALDAGO	EVELYN TOLEDO-DUMDUM
Technical Assistant	Chief Judicial Staff Officer	Judicial Reform Program Administrator ¹⁰

As the winning and awarded bidder, Artes, through Ms. Dabao, entered into the **“Quotation Contract”** dated August 14, 2006 and written on its stationery. Ms. Dumdum affixed her signature above her printed name and beneath the word *Conforme*.

The OCA_t observed that “canvass #1” was handwritten instead of the date below the word *Conforme*. The **“Quotation Contract”** was for the supply of: (a) 25 pieces of jewelry boxes (tokens for the panelists) for ₱17,500.00; and (b) 450 pieces of ball pens (for the conference kits) for ₱13,950.00, at the total contract price of ₱35,224.00, including the 12% VAT of ₱3,774.00. The copy of the corresponding disbursement voucher for the **“Quotation Contract”** indicated that the expenditure was charged to **JR – () – Counterpart Funds**. Ms. Dumdum affixed her signature on the disbursement voucher to recommend her approval thereof.

The OCA_t further observed that it was only on August 18, 2006 that Ms. Dumdum recommended the approval of the budget of ₱7,500,000.00 for the National Forum to be charged “against the JRSP funds.” The recommendation of Ms. Dumdum was received by the Office of Chief Justice Panganiban at 10:00 a.m. on August 22, 2006, and he affixed his signature on the same day to indicate the approval of the recommendation. After the National Forum, preparations were made for the Global Forum.

(9) The **letter-proposal** for technical services and equipment rental for the Global Forum submitted on September 16, 2006 by Ms. Dabao. Ms. Dumdum affixed her signature under the word *Conforme* for the following items and corresponding costs, including the rentals:

ITEM #1-2 PROFESSIONAL CONFERENCE SYSTEM	
BRAHLER DIGIMIC CONFERENCE MICROPHONES	₱370,000.00
with 40 units Microphones	
BRAHLER SIMULTANEOUS INTERPRETATION	380,000.00
with Portable Interpreters’ Booth+Console System	
for FOUR (4) LANGUAGE TRANSLATIONS	
Oakage Price (sic)	750,000.00
Management Fees (17.65%)	<u>132,375.00</u>
Total Package Price	₱882,375.00

¹⁰ Id. at 8.

12% Value Added Tax

105,885.00TOTAL PACKAGE PRICE₱988,260.00¹¹

(10) On September 21, 2006, Ms. Dabao sent Ms. Dumdum a **quotation letter for Conference Proper Requirements** expressing gratitude for considering Artes to serve the event, the Global Forum, on October 18-20, 2006 at the Shangri-La Makati Hotel. The pertinent portions of the **quotation letter** ran as follows:

I. Physical/Creative/Technical Management of the GLOBAL FORUM CONFERENCE PROPER.

The following are areas that were discussed and agreed upon:

1. That Artes shall provide script for your guidance
2. That your office shall provide all Emcees for the said events;
3. That you are requiring video coverage of the event; and
4. THAT He'en R. Dabao, Executive Director of Artes International, Inc. shall oversee the execution, coordination and supervision of the conference proper on October 18-20; 8am to 5pm. Our services include the following:
 - A.) Provision of creative, production and technical staff with HELEN R. DABAO as Over-all Director and Executive Producer; other areas of concern such as the secretariat, logistics & security, protocol, registration & documentation and the like are under the management of PMO.
 - B.) Provision of production staff to include Technical Director, Lights Director, Writers, Production Manager, Stage Managers, Production Assistants, technical crew and stage hands;
 - C.) Provision of lights & sound system, the screens/projectors at the Rizal Ballroom and Backdrop bearing the official logo and other non-technical requirements needed in the conference proper.
 - D.) Manage all coordination & supervision of all venue preparations needed for the conference except booking guests and participants at the hotel.
 - E.) Over-all direct the proceedings of the conference according to the approved program.

For and in consideration of the above services ARTES INTERNATIONAL, INC. submits a package cost of the above requirements at the Conference Proper amounting to **NINE HUNDRED NINETY SEVEN THOUSAND THREE HUNDRED FIFTY ONE 99/100 PESOS (PhP997,351.99).**

¹¹ Id. at 9.

Please find attached the **Budget Breakdown (See Attachment A)** of the total package cost of the project.

TERMS:

50% downpayment to be paid upon signing of conforme.

50% balance to be paid upon completion of the project.

Termination of contract after signing is subject to **50% fee of the total project cost.**

Additional requirements shall be charged accordingly.

Note: Please make cheque payable to **Artes International, Inc.** (emphasis supplied.)¹²

Ms. Dabao and Ms. Dumdum signed the **quotation letter.**

(11) The **letter-contract** written on the stationery of Artes for the opening ceremony and welcome lunch for the Global Forum was signed on September 26, 2006 by Ms. Dumdum and Ms. Dabao. Its pertinent portions said:

The following are areas that were discussed and agreed upon:

1. That Artes shall provide script for your guidance;
2. That your office shall provide all Emcees for the said events;
3. That you are requiring video coverage of the event; and
4. That Helen R. Dabao, Executive Director of Artes International, Inc. shall oversee the execution, coordination and supervision of the **OPENING CEREMONY & WELCOME LUNCH** of the Global Forum on October 18, 2006 at Makati Shangri-la Hotel.

I. Technical Requirements:

1. Additional Sound & Lights for the Entrance of Color	Php25,000.00
2. Complete Lights & Sound System at Quezon Ballroom	45,000.00
3. 10 sets 2-Way Radio (3 day conference)	30,000.00
4. 2 Sets of Spot lights (frontal for Parade)	6,000.00
5. Additional Camera w/ Camera man	15,000.00
6. Backdrop for the Quezon Ballroom	30,000.00
7. 2 sets LCD Projectors/Screens	25,000.00
8. Raw materials (mini-dvd tapes)	12,000.00
9. Gen Set	15,000.00

II. Talents:

a) 30 Cadets with Special Uniforms	PhP 80,000.00
b) 20 pc. Marching Bands (sic)	50,000.00

¹² Id. at 9-10.

c) 20 pc. Banda Kawayan	45,000.00
d) 40 pc. Bayanihan Dancers	100,000.00
e) Withholding Tax 10%	27,500.00
III. Technical/Prod./Creative Staff	PhP205,000.00
IV. Other Requirements:	
Food & Drinks for 110 talents and participants	
Breakfast & Lunch (Php 175.00/pax)	PhP 19,250.00
Misc. & Contingencies	15,000.00
TOTAL PACKAGE COST (I, II, III, IV.)	PhP744,750.00
Management Fees (17.65%)	131,448.38
12% VAT	105,143.81
<u>GRAND TOTAL OF PACKAGE COST-----PHP981,342.18¹³</u>	

(12) The **letter-contract** printed on Artes’ stationery signed on September 26, 2006 by Ms. Dabao and Ms. Dumdum to provide creative, technical and physical management for the closing ceremony of the Global Forum at the cost of **₱789,290.32**.

The OCA¹³ noted, however, that it was only on October 9, 2006 when Ms. Dumdum requested authority to fund the Global Forum, as borne out by MEMORANDUM PMO JRPAO 10-09-2006, the relevant issuance, to wit:

Your honor:

1. The estimated budget for the conduct of the Global Forum on Liberty and Prosperity on October 18-20, 2006 at the Makati Shangri-La Hotel is **Twenty Million Six Hundred Thousand Pesos (Php20,600,000.00)**.
2. Of this Php20.6M estimated budget, funding support will come from our various development partners in the form of grant proceeds as follows:

Amount of Funding Support (in Php)	Development Partner
17,000,000.00	JRP-FA Funds (Grant Proceeds). This represents the cumulative unused balance of previous years
500,000.00	ABA-Asia (new/incremental funds)
1,200,000.00	ADB (new/incremental funds)
300,000.00	CIDA (new/incremental funds)
400,000.00	TAF (new/incremental funds)
400,000.00	WB (new/incremental funds)

¹³ Id. at 10-11.

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These new incremental funds will be administered (with the exemption of the World Bank) by our development partners.

3. In case of the JRP-FA Funds, may we request for Your Honor's approval to disburse these funds for the various expenditures related to the Global Forum, subject to the usual accounting and auditing rules and regulations.
4. We are pleased to report to your Honor that possible additional new funding support may come from AusAID, British Council, KAS and the UNDP.
5. For your Honor's kind consideration and approval, please.¹⁴

On October 10, 2006, Chief Justice Panganiban affixed his signature to approve Ms. Dumdum's request.

On October 13, 2006, Ms. Dumdum sought the authority from Chief Justice Panganiban "to process payment for services rendered of (sic) contractors" at the Global Forum. Her memorandum for that purpose was as follows:

Your Honor:

1. This is in relation to our Memorandum requesting authority to fund the Global Forum on Liberty and Prosperity on October 18-20, 2006 at the Makati Shangri-la Hotel which was approved by Your Honor. Copy of the approved Memorandum is attached for Your Honor's reference.
2. In this connection, may we also request for Your Honor's approval for partial payment for the following contractors of the Forum:

Makati Shangri-La Hotel Accommodation and Function Rooms	5,331,143.50
Cultural Center of the Philippines Production and Artist	517,158.40
Goldcraft and Fashion International Barong Tagalog for Foreign Delegate; Uniforms for Choir, Secretariat and Ushers	698,320.00
Artes International, Inc. Physical, Creative and Technical Management	997,351.99
Global Forum AVP and Book Launching AVP	997,483.76
Simultaneous Interpretation System (SIS)	988,260.00
Audiovisual Equipment Rental and Video Coverage	997,483.76
Opening Ceremony	981,342.18
Closing Ceremony	789,290.32

¹⁴ Id. at 11-12.

Forum Collaterals (Kits, IDs, Pens, Souvenir
and Shell Leis)

693,626.75

3. For Your Honor's kind consideration and approval, please.¹⁵

Chief Justice Panganiban affixed his signature on October 16, 2006 at the lower left corner of the memorandum to signify approval of the request for authority to process partial payments for expenses incurred during the Global Forum.

(13) Ms. Dumdum signed a **disbursement voucher** around October 16, 2006 charging to the **JRP(FA)-GOP COUNTERPART FUNDS** the gross amount of ₱2,875,606.01, less the sum of ₱575,121.20 as taxes, leaving the net amount of ₱2,300,484.80 as **partial payment** to Artes in connection with the Global Forum. The gross amount of ₱2,875,606.01 was broken down thusly:

* Physical, Creatives and Technical Management -----	₱498,676.00
* Global Forum AVP and Book Launching AVP-----	498,741.88
* Simultaneous Interpretation System (SIS) -----	494,130.00
* Audiovisual Equipment Rental and Video Coverage---	498,741.88
* Opening Ceremony -----	490,671.09
* Closing Ceremony -----	<u>394,645.16</u>
TOTAL -----	₱ 2,875,606.01¹⁶

Check No. 29454 for the total net amount of **₱2,300,484.81** was issued to Artes on December 5, 2006 as final payment for the production of the Global Forum. Artes received the check on the following day.

Subsequently, the OCA noted then Chief Accountant Lilian Ulgado's Memorandum dated February 27, 2007 addressed to the PMO Finance Division about the claim by the Makati Shangri-la Hotel for the unpaid amount of ₱651,000.00. The pertinent portion of the Memorandum was as follows:

Per our records, **the total claim of Makati Shangri-La was already paid in full per voucher 06-11-33736**. Please attach an explanation why there is still an (sic) remaining balance of ₱651,000.00.

Also, it appears that there is no basis in paying the said remaining balance of ₱651,000.00. Please attach authority to pay the said amount and charging it to Fiscal Autonomy.

¹⁵ Id. at 12.

¹⁶ Id. at 13.

Further, in going over the supporting papers of the full payment to Makati Shangri-La per voucher 11-33736, we noted that **the Court paid for the accommodation of Ms. Helen Dabao in Room Nos. 512 and 516.** In the Articles of Incorporation submitted to this office, Ms. Helen Dabao is listed as one of the incorporators of Artes International. Is Ms. Dabao a participant to the said event? Is (sic) so, please attach copy of memo circular of those who are authorized to attend the Global Conference showing the inclusion of Ms. Dabao in the said list. (Emphasis supplied)¹⁷

In her responding Memorandum dated February 28, 2007, PMO Financial Management Analyst Paula Cheryl Dumlao expressed that because the hotel accommodations for Ms. Dabao were being questioned, the expenses therefor should be treated as a “disputed item” that could be excluded from the bill to avoid further delays in the settlement of the obligations to Makati Shangri-La Hotel.

Thereafter, Chief Accountant Ulgado referred the matter to Judicial Staff Head Midas P. Marquez of the Office of Chief Justice Reynato Puno to resolve whether the “remaining balance” of ₱651,000.00 for the conduct of the Global Forum could be charged to **JR-FA GOP Counterpart Funds.**¹⁸

2.

Other activities relative to the retirement of Chief Justice Panganiban

The transactions between the PMO and Artes continued even after the holding of the National Forum and Global Forum.

In Memorandum PMO JRPAO 15-11-2006 dated November 15, 2006, Ms. Dumdum requested authority from Chief Justice Panganiban to “fund certain activities,” thusly:

Your Honor:

1. May we request authority to fund the following activities:

ACTIVITIES	AMOUNT (in Php)
1. Musical Interlude at the Cultural Center of the Philippines on November 30, 2006	551,536.00
2. State of the Judiciary (<i>Audio-Visual Production</i>)	470,400.00

¹⁷ Id. at 14.

¹⁸ Id. at 14-15.

3. Leadership and Servanthood: The Labor and Legacy of Chief Justice Artemio V. Panganiban (<i>Audio-Visual Production</i>)	650,000.00
TOTAL	1,671,936.00

2. Should your Honor concur, may we request that the abovementioned amount be **charged to the JRP FA (Grant Proceeds)**, subject to the usual accounting and auditing rules and regulations.
3. May we also request for Your Honor’s approval to issue a **Cash Advance in the amount of Eight Hundred Fifty Thousand Pesos (Php850,000.00)** to initially cover the cost of the abovementioned activities and other incidental expenses to Mrs. Araceli Bayuga, Chief, Cash Division, Fiscal Management and Budget Office (FMBO). The breakdown of the cash advance are as follows:

ACTIVITIES	AMOUNT (in Php)
Musical Interlude at the Cultural Center of the Philippines on November 30, 2006	350,000.00
State of the Judiciary (<i>Audio-Visual Production</i>)	250,000.00
Leadership and Servanthood: The Labor and Legacy of Chief Justice Artemio V. Panganiban (<i>Audio-Visual Production</i>)	250,000.00
TOTAL	850,000.00

4. For Your Honor’s kind consideration and approval.¹⁹

The OCA_t reported that Associate Justice Angelina Sandoval Gutierrez, as the Chairperson of the Committee on the Chief Justice’s Valedictory, recommended the approval of the request. Chief Justice Panganiban later approved the same and affixed his signature on the left-hand corner of the Memorandum.

Having obtained the approval, Ms. Dumdum entered into the following contracts with Artes, namely:

(1) In a letter-quotation dated November 17, 2006, Ms. Dabao offered the services of Artes for ‘Retirement AVP: Leadership and Servanthood’ for the amount of ₱620,000.00 plus 12% VAT of ₱74,400.00 or the total ‘AVP cost’ of **₱694,400.00**. Ms. Dumdum affixed her signature to the letter-quotation under the word *conforme*. It appears that the downpayment of ₱250,000.00 was paid to Artes – this is evident from the Sales Invoice dated December 8, 2006 collecting the ‘final payment’ of ₱444,400.00. For the same project, Mindstorm Media, Inc. reportedly quoted the price of ₱1,025,155.04 while Graymatter offered their services for ₱1,100,000.00.

¹⁹ Id. at 25-26.

(2) Under *letter-quotation* dated November 22, 2006, Ms. Dabao offered the services of Artes for the ‘Commemorative Program (Retirement of CJ Panganiban) on December 6, 2006 at the Fiesta Pavilion, Manila Hotel, 6:30 PM’ for the package cost of **₱997,220.22**. Ms. Dumdum signed the letter-quotation for the Court and, in Attachment I thereto, affixed her signature under the word *conforme*. With the total withholding tax of **₱62,326.26** deducted from the package cost, the disbursement voucher in favor of Artes is for the net amount of **₱934,893.96**.

(3) On November 25, 2006, Ms. Dabao quoted the contract price of **₱418,320.00** for the project entitled “Celebration of the Life, Love & Achievement of Chief Justice Panganiban Event” at the Pan Pacific Hotel at 12:00 noon of December 7, 2007. Similarly, Mindstorm Media, Inc. submitted a quoted price of **₱474,374.80** inclusive of 12% VAT for the same project, while Graymatter offered **₱450,000.00** inclusive of management fees and 12% VAT. Ms. Dumdum affixed her signature to the letter-quotation as “APJR Administrator.” The disbursement voucher prepared for the contract shows that the “technical and non-technical support” services were rendered ‘during (the) appreciation luncheon for the APJR non-development partners.’ The net contract price of **₱392,175.00**, after deducting taxes of **₱26,145.00**, is to be charged to ‘**JRSP(WB)-GOP COUNTERPART FUNDS**,’ as recommended by Ms. Dumdum.

xxx xxx xxx

(4) In an undated letter-quotation, Ms. Dabao offered the services of Artes for the retirement ceremonies in honor of Chief Justice Panganiban on December 6, 2006 at the ‘Supreme Court Hall’ for the price of **₱401,520.00**, to which letter Ms. Dumdum affixed her signature. The disbursement voucher in favor of Artes shows that it is to be charged to ‘**JRSP(WB)-GOP COUNTERPART FUNDS**.’²⁰

On November 27, 2006, Ms. Dumdum requested from Chief Justice Panganiban authority to provide additional funding for additional court-related activities, stating thereon in her Memorandum PMO JRPAO 27-11-2006, as follows:

Your Honor:

1. This is further to our Memorandum requesting authority to conduct and fund the ***remaining activities for December which Your Honor approved***. Copy of said Memorandum is attached for Your Honor’s reference.
2. May we request additional authority to provide additional funding for the development and preparation of the **Audio-Video (sic) Presentations** entitled ‘**Liberty and Prosperity Under the Rule of Law**’ and ‘**Leadership and Servanthood: The Labor and Legacy of Chief Justice Artemio V. Panganiban, Jr.**’ (sic) to the various internal and external stakeholders of the APJR. The presentation of

²⁰ Id. at 26-28.

these AVPs will commence on December 06, 2006. *The total cost for the creative design, physical and technical production for the said activities is ₱1,817,060.22.*

- 3. Should Your Honor concur, may we request that the abovementioned amount be **charged to the JRP FA Grant Proceeds or JRSP Funds, whichever is appropriate.** May we likewise request authority to disburse and/or draw **cash advance** for the total amount to Mrs. Araceli Bayuga, Chief, Cash Division, Fiscal Management and Budget Office.
- 4. For Your Honor’s kind consideration and approval.²¹

On November 28, 2006, Chief Justice Panganiban approved the request without specifying the fund source.

3.
Artes’ requests for payment of unpaid contract price

Upon the conclusion of the Global Forum, the PMO forwarded to the FMBO pertinent documents relative to the items supplied by Artes (*i.e.*, 350 conference bags, 900 ID holders, 450 units of ball pens, and 25 jewelry boxes as souvenirs) in order to facilitate payment to the latter.

The FMBO declined to process the payment for lack of the necessary purchase orders (POs) as required by law.

Considering that no payment could be processed without the requisite POs, the PMO requested the Property Division of the Office of Administrative Services (OAS) to issue the POs for the supplies delivered by Artes. Being responsible for the determination of the reasonableness of the prices of supplies, the Property Division surveyed suppliers of the conference bags, the ID holders, and ball pens, but not the jewelry boxes which Artes claimed to have been sourced from Cebu. Based on its survey, the Property Division concluded that the following items were overpriced²² and excessive,²³ to wit:

Qty.	Unit	Description	Unit Price		Total Amount	
			PMO	Property Division	PMO	Property Division
350	pcs.	Conference Bag	₱450	₱220	₱157,500.00	₱77,000.00
900	pcs.	I.D. Holder	95	35	85,000.00	34,200.00
450	pcs.	Ball Pens	31	13	13,950.00	5,850.00

²¹ Id. at 27.
²² Id. at 15.
²³ Id. at 16.

25	pcs.	Jewelry Box	700	-	17,500.00	-
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In the Memorandum dated January 22, 2007 submitted to the Office of Chief Justice Puno, SC Judicial Staff Head Felicitas D. Caunca (Ms. Caunca) of the Property Division declared that the PMO had itself conducted the canvassing for the supplies on the ground that it had already been pressed for time; that such canvassing could have been done through the Philippine Government Electronic Procurement System (Phil-GEPS) by the Property Division in no time at all; that if the amounts involved were within the Property Division's authority to canvass, it would have issued the requested POs regardless of whether the canvassing had been done by the proper bids committee or by the Property Division itself; and that because the PMO did not observe the proper procurement procedure, what had resulted were "advance deliveries," which were disallowed by law.²⁴

Ms. Caunca also clarified:

This Division believes that the price for which the PMO obtained the aforesaid supplies were **excessive**. In this respect, this Division finds pertinent the provision of Commission on Audit (COA) Circular No. 85-55-A which states that:

'Price is excessive if it is more than the 10% allowable price variance between the price paid for the item bought and the price of the same item per canvass of the auditor.'

The matter was consulted by the undersigned with the COA Auditor assigned to the Court who expressed her opinion that the Purchased (sic) Order may still be prepared by this Division but the amount should be based on the quotation or canvass obtained by this Division and not that of the PMO. The COA Auditor even reminded (us on) the prohibition on antedating the PO if only to reflect or coincide the dates when the PMO concluded their transactions with the Artes International. Needless to state, the difference between the two (2) amounts is to be borne by the PMO or its responsible official, as the case may be.²⁵

On January 23, 2007, Ms. Dabao wrote to Ms. Dumdung requesting that Artes be recognized as a "Supplier of Services" in order to "rectify the taxes that were unwittingly withheld from Artes," which were equivalent to 15% of the contract price. She justified her request by attaching a copy of BIR Ruling DAO75-07, which categorically stated that Artes was subject to "2% withholding tax on income payments made by the top 10,000 private corporations and government offices, national, or local, pursuant to section (sic) 3 (M) and (N) of Revenue No. 17-2001."²⁶

²⁴ Id. at 15-16.

²⁵ Id. at 16.

²⁶ Id. at 24.

On January 27, 2007, Chief Accountant Ulgado inquired from the Chief of the Withholding Tax Division of the BIR about the query of Ms. Dabao, thusly:

This refers to the BIR Ruling DA-033-2007 dated January 23, 2007 issued to Ms. Helen R. Dabao of Artes International, Inc. The BIR ruling states that an event organizer, like Artes, is a supplier of service. Consequently, payments made by private corporation and/or government offices are subject to the two percent (2%) withholding tax.

The Articles of Incorporation of Artes International, x x x, states that its primary purpose is Production and Management of Events and Entertainment.

The Court withheld the 15% withholding tax from its payment to Artes International pursuant to Sections 3 and 4 of Revenue Regulations No. 30-2003 based on the entirety of the services rendered by said company. The creative, physical and technical aspects of the event required the hiring of Artes International as production manager providing management and technical services for the conduct of said event.

May we respectfully request for an opinion from your office to clarify whether or not the services presented above were covered by Section 3 (M) and (N) of RR 17-2001 or among those enumerated in Sections (sic) 3 of RR 30-2003.

Thank you for your immediate attention.

However, Chief Accountant Ulgado received no reply from the BIR.²⁷

Subsequently, the FMBO requested the Office of the Chief Justice (OCJ) to refer to the OCA the matter of “the propriety of collecting withholding tax of 15% totaling ₱1,342,637.26 from payments” made by the PMO to Artes “for services rendered” relative to the Global Forum. It appears that on June 6, 2007 the FMBO returned to the PMO four disbursement vouchers issued in the name of Artes “without action,” specifically: ₱376,425.00; ₱392,175.00; ₱372,225.00; and ₱934,893.00, or a total of **₱2,071,664.10**, on the ground that the FMBO was still awaiting instructions from the OCJ.²⁸

On August 22, 2007, the PMO, represented by Edilberto A. Davis, Dennis Russell D. Baldago and Atty. Sigrid Promentilla; the OCJ, represented by then Assistant Court Administrator (ACA) Jose Midas P. Marquez (now the Court Administrator); and Artes, represented by Ms. Dabao, met to “discuss the unpaid disbursement vouchers due to Artes

²⁷ Id. at 24.

²⁸ Id. at 28.

International Inc. (sic) for the conduct of the National and Global Forum (sic) on Liberty and Prosperity, and the Retirement Ceremonies for Chief Justice Artemio V. Panganiban held last August, October and December 2007 (sic), respectively.”²⁹

When the Memorandum of the Property Division was referred to her, Ms. Dumdum maintained through her Memorandum dated September 14, 2007 that Artes had been an events organizer responsible for “outsourcing of supplies and materials used in the forum”; that its services had been engaged to take charge of the details of the Global Forum; that PMO was only involved in “overseeing that Artes took into consideration the important factors in selecting the suppliers, such as capacity to execute the design and timely delivery of such requirements”; that “it would be inaccurate to state that the selection of the canvassed suppliers was done by the PMO arbitrarily because it merely proceeded from the suppliers chosen by Artes;” and that the PMO had been merely instrumental in helping process payments to Artes by the conduct of its “ministerial duty of preparing the disbursement vouchers.”³⁰

Anent the non-observance of procurement rules, Ms. Dumdum contended that “the procurement of supplies and materials used in the forum need not pass through the Committee on Bids, nor follow the procurement procedures under R.A. 9184 because those were not actual procurement of goods;” and that “[t]hose items[,] for all intents and purposes[,] were to be treated as ‘incidental’ to the services provided by the events organizer, which in this case happens to be Artes.”³¹

Under the circumstances, ACA Marquez, as Chief Justice Puno’s Staff Head, referred the Artes matter regarding the “supplies for the National Forum” to the OCA for study and report.

In the meantime, on November 12, 2007, Ms. Dabao transmitted to Ms. Dumdum a letter inquiring on the status of the following:

1. The taxes amounting to ₱1,162,850.00 withheld from the contract price of the National Forum and Global Forum;
2. The “collaterals” amounting to ₱693,626.75 incidental to the National Forum; and

²⁹ Id.

³⁰ Id. at 16.

³¹ Id. at 17.

3. The payment of the remaining balance of ₱2,261,460.22 for the Retirement Ceremonies of Chief Justice Panganiban.

In her letter dated November 13, 2007, Ms. Dumdum acknowledged the aforementioned letter of Ms. Dabao, and assured her that a follow-up meeting would be conducted, *viz.*:

x x x [A]fter the following concerns have been addressed: (a) the x x x OCAT releases its comments to the Office of ACA Marquez regarding the taxes withheld during the conduct of the National and Global Forum (sic) on Liberty and Prosperity in the amount of Php1,162,850.00; (b) the PMO collaterals used during the conduct of the National Forum on Liberty and Prosperity in the amount of Php693,626.75; and (c) the Disbursement Vouchers concerning the remaining balance of Php2,261,460.22 for the conduct of the Retirement Ceremonies of Chief Justice Panganiban are forwarded to the Office of ACA Marquez x x x.³²

On August 20, 2008, Ms. Dabao sent another letter requesting that Mr. Davis, who had meanwhile taken over as Director of the PMO following the resignation of Ms. Dumdum, issued to her a “formal correspondence” on the unpaid balances.³³

On September 23, 2008, Ms. Dabao followed up with Mr. Davis, this time threatening to expose the delay to the media.³⁴

On October 6, 2008, Ms. Dabao met with ACA Marquez, Mr. Davis and Dennis Russell D. Baldago to thresh out matters relative to the claims of Artes.³⁵

On May 26, 2009, Ms. Dabao wrote Chief Justice Puno to appeal for the settlement of the “aggregate overdue accounts” totaling ₱2,955,086.97 that Artes had been trying to collect since August 2007.³⁶

On March 8, 2011, Ms. Dabao wrote Court Administrator Marquez pleading for an audience to discuss the collectibles of Artes.³⁷

On April 28, 2011, Ms. Dabao wrote Chief Justice Renato C. Corona for help “in our three year old quest for justice,” relevantly stating:

³² Id. at 28-29.

³³ Id. at 29.

³⁴ Id.

³⁵ Id. at 30.

³⁶ Id. at 31.

³⁷ Id. at 32.

x x x x

We appeal to you, CJ Corona, to aid us in our three year old quest for justice. We are a small events company and Php2.9 million is our entire rolling capital for the business. What pains us is we cannot find any reason nor could the OCAT find any reason for the Supreme Court to hold payment for our company, Artes International, Inc.³⁸

On May 30, 2011, Ms. Dabao wrote Atty. Lourdes B. Lim, Department Auditor of the Commission on Audit (COA) assigned to the Court, requesting a certification to the effect that “no audit (pre or post) has yet been conducted on the said collectibles.”³⁹

In her reply dated June 28, 2011, Atty. Lim responded thusly:

Please be informed that we cannot issue a certification that no audit (pre or post) since no payment has been made yet nor disbursement voucher submitted to this Office (sic). Moreover, an Audit Observation Memorandum dated May 9, 2007 was issued by this Office which was received in the Office of the Chief Justice on May 21, 2007 during the time of the former Chief Justice Reynato S. Puno relative to the retirement activities in honor of the former Chief Justice Artemio V. Panganiban, Jr. (sic) wherein no comment/reply was received by this Office.

Further, pursuant to Section 2 of P.D. 1445, The Government Auditing Code of the Philippines which provides that ‘It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law 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. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or the head of the government agency concerned.

For your appropriate action.⁴⁰

By her own Memorandum dated February 21, 2012, then JRP Administrator Geraldine Faith Econg requested Atty. Corazon G. Ferrer-Flores, FMBO Chief, for an update on “the advice from the Office of the Chief Justice which you have waited for.” However, no action was taken thereon.

³⁸ Id.

³⁹ Id.

⁴⁰ Id. at 28-29.

4.

The response of the PMO

Chief Justice Puno referred the Report of the OCA to the PMO for appropriate action or comment.

Inasmuch as Ms. Dumdum had meanwhile resigned as the JRP Administrator effective February 19, 2008 and had immediately gone on terminal leave prior thereto, it was Mr. Davis, using the title of Judicial Reform Program Administrator, who submitted the comment dated February 18, 2008 in behalf of the PMO.⁴¹

Mr. Davis explained therein that the estimated budget of ₱7,500,000.00 for the National Forum superseded the approved budget of ₱6,800,000.00; and that the “latter (?) document was discarded without any intention to be used as an official document.”⁴²

Justifying why expenditures had been charged to the JRSP Fund even before Chief Justice Panganiban had approved the request for authority to use such fund, Mr. Davis expounded:

The foregoing statement was nothing but obvious misrepresentation, Your Honor. Foremost, it must be considered that the alleged expenditures cited by the OCA are expenses which were incidental to the **services of Artes as Events’ specialist**. Since Artes procured those items in their own capacity as private contractor and in compliance with their obligations and responsibilities as events specialist, **those expenses will eventually be reimbursed by the Supreme Court to Artes**. The JRPA merely identified the funding source from which those expenses shall be charged. Thus, **those items are not subject of new contracts but are merely part of the services delivered by Artes**. Thus, it would be inaccurate to state that those expenses were incurred prior to the grant of approval by the Chief Justice.⁴³

Mr. Davis cited the following provision of SC Administrative Circular No. 60-2003 to explain why the PMO had assisted in the procurement activities, to wit:

4.3 All JRSP procurement activities shall be done through, or with the assistance of the PMO. The Project Implementation Monitoring and Evaluation Group of the PMO (PMO-PIMEG) will manage the specific procurement activities, and track their baseline schedule and actual progress. The Program Director of the PMO will be responsible for the overall monitoring of the procurement process, particularly, the

⁴¹ Id. at 20.

⁴² Id. at 20-21.

⁴³ Id. at 21.

notification of the lagging activities and the responsible offices. Emphasis supplied.⁴⁴

He insisted that the PMO, being the end-user, assisted Artes as the event's specialist, thusly:

The basis of the PMO's functions as an end-user unit was further affirmed by the subsequent issuance by the GPPB of the Generic Procurement Manuals (approved on 14 June 2008), whereby procuring entities are encouraged to create their respective Procurement Units (an organic unit of office within the agency). These procurement units were envisioned to perform the functions of the BAC Secretariat including the preparation of procurement documents. Considering that "request for quotations" or "canvassing documents" as loosely used, verily fall under the same category, then it may be properly inferred that the PMO, being the end-user unit validly conducted the canvass. Hence the allegation of usurpation of BAC functions in violation of the Administrative Circular on procurement as hastily alleged by OCAT was disputed.⁴⁵

Commenting on the allegation of splitting of contracts, Mr. Davis, focusing only on the production of "a 10-minute Audio-Visual Highlights of International Conference and Showcase on Judicial Reforms (ICSJR) in DVD format and standard casing with 700 copies," denied that there had been any splitting of contracts because such services were distinct from those undertaken by Artes, which consisted of "translating the proceedings of the whole conference into an Audio-Visual Documentary Video Format, with four hundred (400) copies of cover booklets." He insisted that "Artes was engaged to focus on the substantive part of the conference and the important details which should be accurately documented for the purpose of maintaining an official record of the events that transpired during the conference," and, consequently, the allegation of splitting of contracts was "baseless and without merit."⁴⁶

Mr. Davis invoked the presumption of regularity in the performance of official functions, and the maxim *damnum absque injuria*. He manifested that "the OCAT cannot presume that PMO through the JRPA was in bad faith when it entered into the questioned transactions. Absent a clear evidence of bad faith, the same shall not be applied." He added:

Likewise, we also wish to reiterate our previous statement in Memorandum PMO JRPAO 09-14-2007 that the PMO's involvement in the **said transaction was merely to facilitate the process by overseeing that Artes took into consideration the important factors in selecting the suppliers, particularly its capacity to execute the design and timely delivery of such requirements.** The canvass made by the PMO which

⁴⁴ Id.

⁴⁵ Id.

⁴⁶ Id. at 21-22.

reflected quotations from other suppliers (although not generally required due to the very nature of subject items), was in fact an exercise of due diligence because it exerted the effort to ensure that the prices charged by Artes were still within the reasonable market price, even after including a reasonable profit margin in exchange for the additional customized design inputted by Artes to the said items under consideration. **There was nothing irregular in the conduct of the PMO**, thus it should not be penalized for doing its responsibilities efficiently to ensure that the National and Global Forums were successfully hosted by the Court. (Emphasis supplied.)⁴⁷

Mr. Davis denied the need to secure certificates of availability of funds (CAFs) prior to the execution of the contracts with Artes. He opined that the CAFs were required only for locally funded activities. He submitted that as long as the requirements stated in page 145 of the *Handbook on Understanding Foreign Assisted Projects* of the COA “are present, there is no reason to delay or disallow disbursement of funds.”

The requirements prescribed by the *Handbook on Understanding Foreign Assisted Projects* adverted to are the following:

a) Documentation.

In general, the documentation required to support disbursements depends on the type of expenditures involved.

If the Bank needs full supporting documentation, two copies of contracts or purchase orders should be sent to the Bank to review by the designated task manager before submitting the first related application. One copy of each of the following supporting documents is normally given to the Bank with the withdrawal application:

b) **Supplier’s or consultant’s invoice**, or a summary statement of works performed signed by the supervising engineer or other authorized official

c) Evidence of shipment (for equipment and materials purchased). This can be one of the following:

- Copy of the bill of lading
- Forwarder’s certificate

d) **Evidence of payment (for reimbursement)**. This can be one of the following:

- **Receipted invoice or formal receipt**
- Commercial bank’s report of payment

e) Performance security such as bank guarantee in the case of advance payments if required under the terms of the contract, or where an unusually are (sic) advance payment is made (Emphasis supplied.)

⁴⁷ Id.

Mr. Davis affirmed that there was nothing irregular about “facilitating the conduct of alternative method of procurement of shopping” even though the JRP Administrator did not first seek authority to do so from the Chief Justice. He reminded that: “The act of facilitating and approving the quotations of the items being bought by Artes were mere exercise of the authority granted to it under Section 4.3 of Administrative Circular No. 60-2003.”⁴⁸ He opined that neither the loan agreement nor the law necessitated the “formal requirements,” like the CAFs for the contracts. He reiterated that the CAFs applied only to locally funded projects; hence, the “quotation-contract” was “a valid government contract” that could not be questioned.⁴⁹ With respect to the authority issued by Ms. Dumdum to pay amounts beyond the threshold of her authority granted under SC Administrative Circular No. 60-2003, he posited that the observation of the OCA thereon was a “matter of opinion” because “[t]o date, no audit observation has been made by COA to this effect.”⁵⁰ Finally, he invoked Chief Justice’s intervention “to put an end to all these harassments and desperate attempts to tarnish the reputation of the undersigned.”⁵¹

It is noteworthy that in its letter of May 26, 2016, Artes, through Ms. Dabao, communicated to the Court, through the OCJ, that it no longer wished to pursue its claim; that its claim had been the result of a misunderstanding; and that its claim had been already settled to its complete satisfaction.⁵²

Artes submitted simultaneously with its letter of May 26, 2016 the so-called *Release, Waiver & Quitclaim* in which it reiterated the contents to the effect that it was waiving any and all its rights and interests in the claim; and expressly stated that it was releasing the Court from any further liability.⁵³

It is possible that the *Release, Waiver & Quitclaim* rendered moot and academic every issue regarding Artes’ several contracts with the Court. An action is considered moot when it no longer presents a justiciable controversy because the issues involved have become academic or dead, or when the dispute has already been resolved and, hence, one is not entitled to judicial intervention unless the issue is likely to be raised again between the parties. As the consequence, nothing more needs to be resolved after its determination has been overtaken by subsequent events.⁵⁴

⁴⁸ Id. at 23.

⁴⁹ Id.

⁵⁰ Id.

⁵¹ Id.

⁵² Id. at 83.

⁵³ Id. at 84-85.

⁵⁴ *Galicto v. Aquino III*, G.R. No. 193978, February 28, 2012, 667 SCRA 150, 177.

However, the mootness principle bows to certain exceptions, such that mootness will not always deter further proceedings upon a matter until its resolution in due time if there is a valid reason to do so. In *David v. Macapagal-Arroyo*,⁵⁵ the Court has defined four instances in which the courts can still decide an otherwise moot case, namely: (a) there is a grave violation of the Constitution; (b) the exceptional character of the situation and the paramount public interest is involved; (c) when the constitutional issue raised requires formulation of controlling principles to guide the Bench, the Bar, and the public; and (d) the case is capable of repetition yet evading review.⁵⁶

The extraordinary character of this case for involving the compliance with the law and rules on procurement as well as the public interest thereby necessarily involved override the applicability of the mootness principle. Based on the Report of the OCA, liability of some form for violations of the law and rules on procurement already might have probably attached to the public officials involved. To still proceed herein clearly responds to the Constitutional declaration that public office is a public trust. Prudential wisdom also dictates that the Court should not immediately brush aside the irregularities committed in relation to the services rendered by Artes if only to serve the demand for transparency.

Ruling of the Court

The Court is not unmindful that Artes, prior to its submission of the *Release, Waiver & Quitclaim*, had been consistently and assiduously pleading for the payment of the total sum of **₱4,117,936.98**, itemized as follows:

1. The taxes withheld on the “contract” price of the National Forum and Global Forum amounting to **₱1,162,850.00**;
2. The “collaterals” used in the National Forum amounting to **₱693,626.76**; and
3. The balance of the “contract” price of the “Retirement Ceremonies” of CJ Panganiban amounting to **₱2,261,460.22**.⁵⁷

The Court, albeit fiscally autonomous, could not simply authorize and justify the release of funds to pay Artes’ demand in view of the many questions that were raised against the contracts entered into with Artes by Ms. Dumdum as the PMO Administrator. To decide on whether to pay or not, the Court had to be guided by the law on the proper disbursement of

⁵⁵ G.R. Nos. 171396, 171409, 171485, 171483, 171400, 171489, and 171424, May 3, 2006, 489 SCRA 160.

⁵⁶ Id. at 214-215.

⁵⁷ *Rollo*, p. 28.

public funds, whether emanating from the National Treasury or sourced from loans or credits extended by foreign funding partners.

The WB loan agreement and its implementation

The loan agreement between the Republic of the Philippines and the International Bank for Reconstruction and Development (IBRD), or the World Bank (WB), was signed on October 2, 2003 to fund the Judicial Reform Support Project (JRSP) whose objective was “to assist the Borrower in developing a more effective and accessible Judiciary that would foster public trust and confidence through the implementation of the Supreme Court’s Action Program for Judicial Reform.”⁵⁸

The JRSP consisted of the following:

1. Improving Case Adjudication and Access to Justice;
2. Enhancing Institutional Integrity;
3. Strengthening the Institutional Capacity of the Judiciary; and
4. Support for the Reform of the Judicial System and Program Management Office (PMO)

Based on the foregoing, the “Globalization Lecture Series – Forum with Chief Justice” appeared in the JRSP WB Financial Monitoring Report CY 2006 under the second category, *i.e.*, Enhancing Institutional Integrity.

SC Administrative Circular No. 60-2003 entitled *Procurement Policy and Procedures for the Judicial Reform Support Project* was issued on November 18, 2003 “to ensure the effective implementation of the Judicial Reform Support Project (JRSP) through the timely procurement of Goods, Works, and Services, guide the concerned Supreme Court Offices in their respective roles in the procurement process, prescribe the allowed lead times for each procurement activity, and monitor and resolve bottlenecks and problem areas in the procurement process.” Thus, SC Administrative Circular No. 60-2003 applied when procuring goods, works, and services in furtherance of the implementation of the JRSP, *viz.*:

⁵⁸ Rollo, Vol. II, pp. 99-102 (Schedule 2, *Loan Agreement between the Republic of the Philippines and the International Bank for Reconstruction and Development*, October 2, 2003).

3. SCOPE

- 3.1 This Administrative Order applies to the procurement of all types of works, goods, and services in the implementation of the JRSP.

X X X

5. LEGAL FRAMEWORK

- 5.1 These Guidelines are formulated in fulfillment of a major legal commitment of the Government of the Philippines (GOP) with the World Bank (WB) and therefore, have the force and effect of a legal instrument for compliance of all concerned with the implementation of the JRSP. The provisions of these guidelines are basically premised and substantially based on, and in some parts or instances, literally quoted or drawn from:

- 5.1.1 **JRSP LOAN AGREEMENT.** The Loan Agreement executed by and between the GOP and the WB on October 2, 2003 shall govern the legal relationship between the Bank and the Supreme Court as the Project's Implementing Agency. The terms and conditions set forth therein for the procurement of goods, works and consulting services shall be observed in consonance with the Bank Guidelines.

5.1.2 BANK GUIDELINES

- 5.1.2.1 For Works and Goods procurement, the Guidelines: Procurement under IBRD Loan and Credits, January 1995, revised January and August 1996, September 1997 and January 1999 shall be used.

- 5.1.2.2 For the selection of Consultants, the Guidelines: Selection and Employment of Consultants by World Bank Borrowers, January 1997, revised in September 1997, January 1999 and May 2002 shall be used.

- 5.1.2.3 More recent provisions and amendments of Bank Guidelines may be applicable subject to prior notice and clearance by the Bank.

- 5.1.3 **REPUBLIC ACT NO. 9184** (An Act Providing for the Modernization, Standardization and Regulation of the Procurement Activities of the Government and for Other Purposes) and its Implementing Rules and Regulations (IRR).

- 5.2 In case of conflict, the Loan Agreement and the World Bank Guidelines take precedence over Government Guidelines.

Under the aforequoted guidelines set in SC Administrative Circular No. 60-2003, the procurement rules for the JKSP were not exclusively culled from the IBRD Guidelines, but also from the provisions of R.A. No 9184, which were to be applied suppletorily. The OCA^t noted that under the procurement rules the borrower, which was the Court itself, should identify the body that would conduct the procurement activities for the borrower. For the purpose, SC Administrative Circular No. 60-2003 adopted Article V of R.A. No. 9184 to establish the JRSP Bids and Awards Committee (JRSP BAC) to be in charge of the conduct of the procurement activities. In light of this, and given that the PMO Program Director was tasked with the overall monitoring of the procurement process, Ms. Dumdum and the PMO should not have engaged in actual procurement activities, as their doing so would mean that she and the PMO were risking not being able to perform the monitoring function properly.⁵⁹

The IBRD Guidelines defined two modes of procurement: the **international competitive bidding** (ICB); and the **other methods of procurement**. The latter included **limited international bidding** (LIB); **national competitive bidding** (NCB); **shopping**; **direct contracting**; *etc.*⁶⁰

Specifically, **shopping** was defined by the January 1999 IBRD Guidelines in the following manner:

Shopping (International and National)

3.5 Shopping is a procurement method based on comparing price quotations obtained from several Suppliers, usually at least three, to assure competitive prices, and is an appropriate method for procuring readily available off-the-shelf goods or standard specification commodities that are small in value. Requests for quotations shall indicate the description and quantity of the goods, as well as desired delivery time and place. Quotations may be submitted by telex or facsimile. The evaluation of quotations shall follow sound public or private sector practices of the purchaser. **The terms of the accepted offer shall be incorporated in a purchase order.** (Emphasis Supplied)

The PMO appeared to have resorted to **shopping** as the method of procurement in canvassing three suppliers for the goods and supplies intended for the National Forum.

⁵⁹ Rollo, Vol. I, p. 17 (*Report on Contracts with Artes International, Inc.*, June 20, 2012).

⁶⁰ Rollo, Vol. IV, p. 1471 (OCA^t Report on Supplies for the National Forum on Liberty and Prosperity, December 21, 2007).

**Re: Supplies for the National Forum and
the Global Forum on Liberty and Prosperity**

Considering that the National Forum and the Global Forum were projects conceptualized under the aegis of the JRSP, SC Administrative Circular No. 60-2003 governed the procurement of goods, works and services.

By resorting to **national shopping**, however, the PMO ignored the last sentence of the IBRD Guidelines on such alternative method of procurement that required a **purchase order** (PO) in which the accepted offer should be indicated. The PO was akin to a “contract between the parties as it requires inputs showing the requisites of a contract of consent, object certain, and cause of obligation.”⁶¹ Instead of the PO, the PMO used and relied on **letter-quotations** to reflect and contain the agreements between the parties. All that Ms. Dum Dum as the Program Director had to do was to affix her signature on the **letter-quotations** beneath the word *Conforme* to indicate conformity to the terms stated therein. This manner of contracting was yet again a clear violation of the IBRD Guidelines and the Standard Bidding Documents, Procurement of Goods.⁶²

What were to be contained in the contracts was quite clearly stated in the law. In the 1999 version of the IBRD Guidelines, the following parameters were expressly written, to wit:

Conditions of Contract

2.37 The contract documents shall clearly define the scope of work to be performed, the goods to be supplied, the rights and obligations of the Borrower and of the supplier or contractor, and the functions and authority of the engineer, architect, or construction manager, if one is employed by the Borrower, in the supervision and administration of the contract. In addition to the general conditions of contract, any special conditions particular to the specific goods or works to be procured and the location of the project shall be included.⁶³

Moreover, as the OCA has correctly observed, the IBRD Guidelines mentioned of **contract documents** instead of a single document. This observation is consistent with the Generic Procurement Manual (GPM) that synchronized the provisions of R.A. No. 9184 with the procurement rules of the Asian Development Bank, Japan Bank for International Cooperation, and the World Bank itself by requiring that contracts resulting from procurement activities for goods should be supported not only by a contract document but by a *number* of documents, including the *bid documents*. Yet, based on the

⁶¹ Id. at 1472.

⁶² January 1995, Revised in March 2000, January 2001, and March 2002.

⁶³ *Rollo*, Vol. IV, p. 1472.

detailed study made by the OCA, no proper bidding procedure pursuant to the guidelines of SC Administrative Circular No. 60-2003 was followed by the JRSP-BAC in choosing Artes as the service provider for the National Forum and the Global Forum. Consequently, the patent nullity of the contracts with Artes became the only legal consequence to be reached from the failure to comply with the proper procurement procedure.

We are not also prepared to find that the PMO conducted the canvassing for the supplies for having been already pressed for time. Such explanation was a feeble and implausible excuse in the face of the statement by Caunca of the Property Division to the effect that the Property Division could have done the canvassing *in time* through the Phil-GEPS despite time constraints. Indeed, the records revealed no immediate or compelling justification for dispensing with the requirement of public bidding in choosing the service provider for the procurement of the goods involved thereon. To insist that a public bidding would have unnecessarily delayed the implementation of the program was truly unacceptable. By conducting the canvass without prior coordination with the Property Division, Ms. Dumdum and the PMO ignored the proper procurement procedure, and unavoidably caused the making of "advance deliveries" in contravention of the law.

The assertion by the JRP Administrator that Artes had itself conducted the canvassing of suppliers, and that the PMO had only facilitated the process was fundamentally discredited by the documents reviewed by the OCA. The records disclosed that Ms. Dumdum as the JRP Administrator had approved the recommended award of contracts to Artes as the winning bidder despite Artes having itself conducted the bidding. We advert to the points cogently made by the OCA thereon, *viz.*:

If indeed it is true that the PMO merely facilitated the process as an overseer, and Artes was the actual canvasser, then a lot of questions are raised by the fact that Artes itself emerged the winner in the canvasses "facilitated" by the PMO, as evidenced by the undated Abstracts of Bids approved by the JRP Administrator. Notably, Artes emerged the firm with the "lowest quotation" for jewelry boxes and ball pens even though the JRP Administrator conformed to its quotation and Artes delivered the said goods *days before* OfficeMAN and Chateau offered their quotations for the same goods.

Moreover, assuming that the PMO had been authorized as a special procurement body, it may not conduct shopping without authority from the Chief Justice as head of the procuring entity. Section 48 of Republic Act No. 9184 provides that, to promote economy and efficiency, an alternative method of procurement such as shopping may only be conducted upon prior approval by the Head of the Procuring Entity and "whenever justified by the conditions" provided by Republic Act No. 9184. The JRP Administrator, who does not appear to have been specially authorized by the Chief Justice for the purpose of approving the

alternative method of procurement to competitive bidding to be adopted, *may not arrogate unto herself the responsibility of the Chief Justice to authorize the conduct of shopping.*(Italicized and bold emphases are part of the original)⁶⁴

At the very least, the resulting situation of the canvasser later emerging as the winning bidder was highly irregular because of the plainly obvious conflict of interest.

Considering that most of the expenditures whose payments were sought by Ms. Dumdum as the authorized approving official came within the threshold allowed in SC Administrative Circular No. 06-2003 (*i.e.*, ₱1,000,000.00 and below), the payment of contracts on the goods, works, and services procured under the JRSP would have been presumed to have initially complied with the proper procurement procedure conducted by the JRSP-BAC. Yet, we cannot even presume regularity simply because of several indicia of non-compliance with the proper procurement procedure. The presumption of regularity vanished with the appearance of even just one irregularity. We agree with the OCA that it was doubtful if the *actual* canvass had been conducted in view of the abstracts of canvass, particularly with respect to the jewelry boxes and the ball pens, being undated. The OCA pertinently noted:

Documents show that the JRP Administrator signed the letter-quotation of Artes dated August 14, 2006. The face of the letter-quotation does not show when she signed it. However, two days later or on August 16, 2006, Artes sent her Sales Invoice No. 360 for the full payment of ₱35,224.00 for the said goods. On August 20, 2006, or four days after Artes had presented Sales Invoice No. 360 to the PMO, OfficeMan and Chateau Manufacturing sent quotations for the same goods. Could there be canvassing of all three proponents under these circumstances? In all probability, the Abstract of Bids was prepared and included in the records only to justify the premature award of the contract to Artes.⁶⁵

It is also true that a contract that has all the essential requisites for its validity is binding between the parties regardless of its form.⁶⁶ But when the law requires that a contract be in some form in order that it may be valid or be enforceable, or demands that a contract be proved in a certain way, the requirement of a particular form or manner is absolute and indispensable.⁶⁷ Once the formal requirement for the contract is absolute and indispensable, any procurement contract that does not adhere to the requirement can only be deemed invalid and unenforceable. As such, every letter-quotation signed by an unauthorized purchaser in behalf of a government agency in a manner

⁶⁴ *Rollo*, Vol. I, p. 18 (*Report on Contracts with Artes International, Inc.*, June 20, 2012), citing OCA Memorandum of December 21, 2007, *rollo*, Vol. IV, pp. 1489-1490.

⁶⁵ *Id.* at 1490.

⁶⁶ Article 1356, *Civil Code*.

⁶⁷ *Id.*

contrary to the loan agreement with the foreign lender and contrary to the local procurement law can only be a mere scrap of paper that cannot by any means be accorded any validity or enforceability.

We cannot but notice that the records do not show that the PMO had secured the CAF for each of the contracts. According to the OCA, the CAFs were still required because the *Government Auditing Code of the Philippines*,⁶⁸ the *Administrative Code of 1987*,⁶⁹ and the General Provisions of the relevant *General Appropriations Act*⁷⁰ uniformly required expenditures of appropriated funds to be supported by CAFs. We hold that the loan proceeds were undoubtedly appropriated funds. In addition, R.A. No. 9184, which was definitely applicable, has specified “confirming the certification of availability of funds, as well as reviewing all relevant documents in relation to their adherence to law”⁷¹ as parts of the assessment of the readiness of the procurement during the pre-procurement conference. With the requirement for the CAFs being *sine qua non* in government procurement and contracts, every contract without the corresponding CAF should be characterized as null and void.⁷²

The transactions consummated by Ms. Dumdum for the PMO could not be classified as regular despite the lack of a contrary finding by the COA. Such contrary finding by the COA was not yet forthcoming because the Court had not yet settled the claim of Artes for the balance of the aggregate contract price in view of the material violations of SC Administrative Circular No. 60-2003 and the relevant procurement laws. Hence, there would be no disbursement of public funds to be disallowed or no expenditure to be declared illegal.

We also clarify that the contracts with Artes did not make it to the category of ineligible as determined by the WB, and this was due to the Court’s continued refusal to settle the nearly ₱3 million supposedly owed to Artes. The refusal to pay was most likely the reason why the contracts with Artes were not included in the WB’s list of ineligibles.

Re: Splitting of contracts

That Ms. Dumdum committed **splitting of contracts** was undeniable.

Splitting of contracts means the breaking up of contracts into smaller quantities and amounts, or dividing contract implementation into artificial

⁶⁸ Presidential Decree No. 1445, Sec. 86.

⁶⁹ Book V, Title I, Subtitle B, Chapter 8, Sec. 47; Book VI, Chapter 5, Sec. 40.

⁷⁰ R.A. No. 9336, Sec. 73. It is noted that R.A. No. 9336 was deemed re-enacted for FY 2006.

⁷¹ Section 20 (2), Article VII, R.A. No. 9184.

⁷² *Commission on Election v. Quijano-Padilla*, G.R. No. 151992, September 18, 2002, 389 SCRA 353. citing *Osmeña v. Commission on Audit*, G.R. No. 98355, March 2, 1994, 230 SCRA 585.

phases or subcontracts, for the purpose of making them fall below the threshold for shopping or small value procurement, or evading or circumventing the requirement of public bidding.⁷³ Public officers and agencies are called upon by the COA to ensure that no splitting of requisitions, purchase orders, vouchers, and the like, is resorted to in order to circumvent the control measures provided in the circulars it issued and other laws and regulations. In this connection, a project funded under a single obligating authority and implemented in several phases whether by the same or different contractors shall be deemed **splitting of contracts**.⁷⁴

Under the general guidelines of the Government Procurement Policy Board (GPPB), **splitting of contracts** is strictly prohibited.

COA Circular No. 76-41, dated July 30, 1976, is instructive on the matter of **splitting of contracts**, to wit:

Forms of Splitting:

- 1) Splitting of Requisitions consists in the non-consolidation of requisitions for one or more items needed at or about the same time by the requisitioner.
- 2) Splitting of Purchase Orders consists in the issuance of two or more purchase orders based on two or more requisitions for the same or at about the same time by different requisitioners; and
- 3) Splitting of Payments consists in making two or more payments for one or more items involving one purchase order.

The above-enumerated forms of splitting are usually resorted to in the following cases:

- 1) Splitting of requisitions and purchase orders to avoid inspection of deliveries;
- 2) **Splitting of requisitions and purchase orders to avoid action, review or approval by higher authorities;** and
- 3) Splitting of requisitions to avoid public bidding.

The foregoing enumeration of the forms of splitting is merely illustrative and by no means exhaustive. But in whatever form splitting has been resorted to, **the idea is to do away with and circumvent control measures promulgated by the government. It is immaterial whether or not loss or damage has been sustained by, or caused to, the government.** In a celebrated administrative case wherein a ranking official was charged with and found guilty of splitting of purchases, the

⁷³ Section 2 (b), *Guidelines for Shopping and Small Value Procurement*.

⁷⁴ COA Circular No. 2009-002, May 18, 2009.

Office of the President of the Philippines was quite emphatic when it ruled that "his **liability is not contingent on proof of loss to the Government because of said violations of rules on procurement.**" For this reason, except "requisitions for supplies materials and equipment spare parts xxx acquired through emergency purchase from reputable firms xxx:" (Section 18, Letter of Implementation No. 44, dated April 8, 1976 of the President of the Philippines), Auditors should be on the lookout for cases of splitting in varied forms such as splitting of requisitions and purchase orders to avoid inspection of deliveries; splitting of requisitions, purchase orders, and payments to avoid action, review or approval by higher authorities; and splitting of requisitions to avoid public bidding.

The Commission on Audit, therefore, cognizant of its responsibility under the Constitution to safeguard expenditures and uses of government funds and property hereby enjoins all concerned to strictly enforce and faithfully adhere to all laws, rules, regulations, and policies calculated to prevent or prohibit splitting in any or all forms for the protection of the government. (Emphasis supplied)

The foregoing COA circular is addressed to all heads of departments; chiefs of bureaus and offices; managing heads of government-owned or -controlled corporations; *etc.*, and proscribes the splitting of requisitions, purchase orders, vouchers and others. The heads of the departments, bureaus or offices are expressly enjoined to observe prudence, accountability and transparency in ensuring that no such splitting of requisitions, POs, vouchers, *etc.* escape their attention or happen under their charge. With the increasing volume of transactions involving purchases of goods, equipment, supplies and materials, there arises the need to enforce control measures to insure that procurement is effected in a manner that is most advantageous to the Government. The control measures protect the Government from losing millions of pesos through irregularities in the procurement process.

The following elements constitute the act of splitting of contracts or procurement project, to wit:

1. That there is a government contract or procurement project;
2. That the requisitions, purchase orders, vouchers, and the like of the project are broken up into smaller quantities and amounts, or the implementation thereof is broken into subcontracts or artificial phases; and
3. That the splitting of the contract falls under any of the following or similar purposes, namely:
 - a. evading the conduct of a competitive bidding;⁷⁵

⁷⁵ Id.

- b. circumventing the control measures provided in the circulars and other laws and regulations;⁷⁶ or
- c. making the contract or project fall below the threshold for shopping or small value procurement.⁷⁷

Applying the foregoing elements to Artes' contracts, we find that the JRSP WB loan was used to fund both the National Forum and the Global Forum in the respective amounts of ₱7.5 million and ₱20.6 million; but instead of conducting a public bidding for the two events, Ms. Dumdum entered into several **letter-contracts** or **quotation-contracts** with Artes for various phases of the events, each phase involving amounts that were well within her authority to approve under SC Administrative Circular No. 60-2003. Such **letter-contracts** or **quotation-contracts** were aimed not only at dispensing with competitive bidding but also at avoiding the control measures set in place under SC Administrative Circular No. 60-2003, the COA Circulars, R.A. No. 9184 and other relevant laws and regulations on government procurement.

In its Report, the OCA^t cogently opined that –

On the claim of Ms. Dumdum that Artes was an “events” organizer, this Office pointed out that the Philippine Convention and Visitors Corporation (PCVC), a non-profit corporation that serves as the marketing arm of the Department of Tourism, was the events organizer under a Memorandum of Agreement that Ms. Dumdum herself signed for the Court.

The various contracts entered into with Artes for each of the two events, in light of the claim of Ms. Dumdum that Artes was an “events organizer,” only led to the conclusion that there was splitting of contracts. If it were true that Artes was engaged as an events organizer, a lump sum contract thereon should have covered all the details of holding the National Forum, including the needed supplies.⁷⁸

Had the PMO engaged Artes as the events organizer of the two events, Ms. Dumdum should have executed with Artes a **lump sum contract** that covered *all* the details and incidentals of the events instead of the several **letter-contracts** and **quotation-contracts** for each and every phase of the events. That the value of each of the **letter-contracts** and **quotation-contracts** entered into by Ms. Dumdum was within her authority to approve (*i.e.*, ₱1 million and below) was another strong manifestation of **splitting of contracts**.

⁷⁶ *Baldebrin v. Sandiganbayan*, G.R. Nos. 144950-71, March 22, 2007, 518 SCRA 627, 631-632.

⁷⁷ *Id.*

⁷⁸ *Rollo*, Vol. 1, p. 17 (*Report on Contracts with Artes International, Inc.*, June 20, 2012).

Splitting of contracts is a serious transgression of the procurement rules of the Government. Section 65(4) of R.A. No. 9184 penalizes public officers who commit “splitting of contracts which exceed procedural purchase limits and competitive bidding” with “imprisonment of not less than six (6) years and one (1) day but not more than fifteen years.”

Personal liability of Ms. Dumdum

Section 103 of the *Government Auditing Code of the Philippines* declares that “[e]xpenditures of government funds or uses of government property in violation of law or regulations shall be the personal liability of the official or employee found to be directly responsible therefor.”

Considering that Artes already waived any and all claims it had against the Court pursuant to the several contracts entered into with Ms. Dumdum, there is no more need to make the latter personally liable for the reimbursement of any amounts that Artes was claiming.

Her release from personal liability for reimbursement notwithstanding, Ms. Dumdum should be investigated for any administrative or criminal liability for acts done in connection with the following circumstances, namely:

- a. requesting authority to fund the National Forum twice on the same day for the separate amounts of ₱7,500,000.00 and ₱6,800,000.00 without indicating whether the first request is superseded or that the latter request was intended to be for an amount to be added to the first request;
- b. entering into contracts even before the Chief Justice approved the use of funds from which the expenses for the contracts were drawn;
- c. allowing her subordinates to conduct the alternative method of procurement of shopping without her having been duly authorized as the representative of the Chief Justice for the purpose of approving the alternative mode of procurement;
- d. prematurely awarding to Artes the contract for the jewelry boxes and ball pens before actual receipt of offers of other proponents;
- e. participating in procurement activities notwithstanding that her authority was to monitor such activities, in violation of the rule on conflict of interest;
- f. allowing the conduct of activities that violate procurement rules such as the rule prohibiting splitting of contracts;
- g. signing contracts prepared by private contracting parties as letter-quotations with no Certificate of Availability of Funds (CAF) attached

thereto and hence in violation of formal requirements prescribed by law and the Loan Agreement; and

- h. authorizing the payment of the amount of ₱1,313,435.00 (or ₱1,427,647.72 inclusive of tax), which is beyond her threshold of authority for payments of ₱1 million under Administrative Circular No. 60-2003.⁷⁹

Even if the disciplinary procedure provided in Paragraph 9.4 of Administrative Circular No. 60-2003 is no longer applicable to Ms. Dumdum in view of her having meanwhile ceased to be connected with the Court, Paragraph 9.3 of Administrative Circular No. 60-2003 may apply, viz.:

9.3 Sanctions. Supreme Court officials, employees and private individuals **who shall fail to comply with the provisions of this Administrative Circular without just cause shall be held liable and subject to sanctions/penalties** provided under Articles XXI to XXIII of R.A. 9184 (see Annex J). [Emphasis supplied.]

In addition, the provisions of R.A. No. 3019 may be taken into consideration in order to ascertain whether or not any act or omission committed by any party, including Ms. Dumdum, resulted in or caused undue injury to the Government. However, it is not the Court but another office that should make the ascertainment in that regard.

No personal liability on the part of Chief Justice Panganiban

We have found nothing in the records that established former Chief Justice Panganiban's privity to the contracts entered into by Ms. Dumdum with Artes. Although he had approved, belatedly, the budgets for the holding of the National Forum and the Global Forum in the respective amounts of ₱7.5 million and ₱20.6 million, his approval was within his official authority to grant as the Chief Justice.

The documents presented for Chief Justice Panganiban's approval had undergone the presumed study and verification by the PMO under Ms. Dumdum as well as by the committee constituted for the purpose. He must have relied in utmost good faith on his subordinates, upon whom the primary responsibility of ensuring that all procurement of goods and services were within the limits required by the laws and the procurement rules. Such reliance in good faith absolved him from any personal liability in the absence of proof of any conspiracy between them.

⁷⁹ *Rollo*, p. 20.

Conclusion

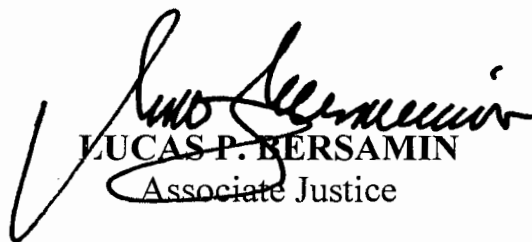
Based on the OCA's Report dated June 20, 2012, violations of law in the disbursement of funds of the Court as well as of funds derived from the loans extended by the World Bank appear to have been committed. The laws on procurement as well as those on auditing and official accountability were also contravened. Although such violations would have resulted in the nullification of the contracts for services and supplies between the Court and Artes, the Court would have still authorized payments to Artes of any unpaid balances based on the equitable principle of *quantum meruit* in order not to be guilty of being unjustly enriched. The Court would then consequently move to seek from the concerned individuals the reimbursement of whatever amounts it would have thereby paid. That would not happen now because Artes meanwhile expressly released the Court from any further monetary liability upon its claim.

WHEREFORE, acting on the Report dated June 20, 2012 submitted by the Office of the Chief Attorney, the Court **RESOLVES** to:


1. **CONSIDER** the claim of Artes International, Inc. for payment extinguished in accordance to the unilateral *Release, Waiver & Quitclaim* executed and submitted by Artes International, Inc.; and
2. **FURNISH** a copy of this **RESOLUTION** to the **OFFICE OF THE OMBUDSMAN** and the **COMMISSION ON AUDIT** as basis for whatever further action may be warranted or necessary to be taken against **MS. EVELYN DUMDUM**.

The matter subject of this case is now considered **CLOSED** and **TERMINATED**.

SO ORDERED.


LUCAS P. BERSAMIN
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Acting Chief Justice

(I join the opinion of J. Carpio.)
PRESBITERO J. VELASCO, JR. **TERESITA J. LEONARDO-DE CASTRO**
 Associate Justice Associate Justice

[Signature]
DIOSDADO M. PERALTA
 Associate Justice

I join the separate opinion of J. Carpio
M. C. Del Castillo
MARIANO C. DEL CASTILLO
 Associate Justice

I am joining the separate opinion
of J. Carpio
Mr. Bernabe
ESTELA M. PERLAS-BERNABE
 Associate Justice

[Signature]
MARVIC M.V.F. LEONEN
 Associate Justice

[Signature]
FRANCIS H. JARDELEZA
 Associate Justice

(On Official Leave)
ALFREDO BENJAMIN S. CAGUIOA
 Associate Justice
I JOIN J. CARPIO
IN HIS SEPARATE OPINION

[Signature]
NOEL GIMENEZ TIJAM
 Associate Justice

Reyes
ANDRES B. REYES, JR.
 Associate Justice

[Signature]
ALEXANDER G. GESMUNDO
 Associate Justice

CERTIFIED TRUE COPY

[Signature]
EDGAR O. ARICHETA
 Clerk of Court En Banc
 Supreme Court

INELIGIBLES

JUDICIAL REFORM SUPPORT PROJECT
(JRSP)



Republic of the Philippines
Supreme Court
PROGRAM MANAGEMENT OFFICE

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4:05



SUPREME COURT
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J. CARPIO
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JUN 19 2012
BY: Ruth
TIME: 7:53

MEMORANDUM PMO-JRPAO 6-18-2012

FOR : Hon. ANTONIO T. CARPIO
Senior Associate Justice
(per Section 12, Chapter II of R.A. No. 926)

FROM : GERALDINE FAITH A. ECONG
Deputy Clerk of Court and JRP Administrator

DATE : 18 June 2012

SUBJECT : Refund of Payments Made for Ineligible Expenses
under the JRSP

discuss with Atty. Dina who will write opinion on sources possible reimbursement
Atty. Dina

Your Honor:

1. We write with reference to the refund of payments made for the expenditures declared as ineligible by the World Bank, as contained their Aide Memoire dated 28 December 2011.
 2. As what our Office has stated in its comment and response to the Bank's list of ineligible transactions for the JRSP (Annex B of our Memorandum to Your Honor dated 30 May 2012, received on 5 June 2012), these expenditures were, in fact, incurred in furtherance of the project development objectives of the JRSP (page 2). The transactions declared as ineligible are actually regular and eligible transactions undertaken in the course of the JRSP's implementation.
- Nevertheless, the total amount of these ineligible expenses has been revised and is now adjusted to US\$115,416.00 only (Annex D).
3. Further to the same Memorandum, we submit this subsequent memorandum to provide the basis and justification on sourcing the refund for these subject expenses from the JRSP's GOP Counterpart Fund and the Court's Fiscal Autonomy (FA) account.
 4. In our comment-response (page 2), we have grouped the subject transactions into five (5) major activities, namely:
 - a) Conduct of the distinguished lecture series (DLS)
 - b) Conduct of the seminar on "Revisiting the Code of Conduct for Court Personnel"

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Office of the Chief Attorney
Supreme Court

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Time: 9:50

- c) Conduct of and attendance of SC and Judiciary officials to local and international training, seminars and workshops on court administration, international commercial law and facilitating workshops and trainings
 - d) Printing of the Reporter's Case Index for the use of justices, judges, court attorneys and legal researchers, and
 - e) Procurement of IT equipment for various SC offices
5. For purposes of this Memorandum, the transactions listed above can be further grouped into two (2) categories: maintenance and other operating expenses (MOOE) and capital outlay. Transactions A to D listed above are MOOEs and the last falls under capital outlay.
 6. MOOEs cover project administration, e.g. administrative costs and expenses incurred in the course of project implementation. These may cover transportation and other travel-related expenses, office supplies, food expenses and honoraria for resource persons – the particular expenses of the first 4 set of transactions above.
 7. As a rule, MOOEs are for the account of the Government's counterpart fund. As they make up a relatively smaller portion of project costs, the costs of the bigger project categories such as civil works and goods are substantially charged to the loan proceeds. In the case of the JRSP, the loan agreement initially provided that 90% of the works and 100% of the goods are to be financed by the loan proceeds (Schedule 1 of JRSP Loan Agreement). Other JRSP-related costs not falling under the categories covered by loan proceeds are also charged to the GOP counterpart funds.
 8. In the case of the capital outlay of IT equipment (item E in paragraph 4 above) which is classified as goods by the JRSP, it may also be charged to the counterpart fund with the ineligibility of this transaction/s. However, the entire portion of the GOP's counterpart fund for capital outlay (Works and Goods categories) has already been expended as of end-2009.
 9. Fiscal Autonomy (FA) Account.

Joint Resolution No. 1 of the Constitutional Fiscal Autonomy Group (CFAG) provides, in part, that the unexpended year-end balances of the approved appropriations already released to the said Constitutional Offices shall remain valid appropriation and shall continue to be available for expenditures until fully spent.

Furthermore, each head of the said offices is authorized to use savings for the incurrence of such obligations as may be approved by him to strengthen the office and enhance its operations and services as well as any other expenditures or purpose authorized. CFAG is composed of the Supreme Court, the 3 constitutional commissions, the Office of the Ombudsman and the Commission on Human Rights.

On the basis of the joint resolution, the Court established its Fiscal Autonomy account for the above-mentioned purpose.

Said joint resolution further provides that each head of these constitutional bodies is authorized to use savings for the incurrence of such obligations as may be approved by him to strengthen the office and enhance its operations and services as well as any other expenditures or purpose authorized.

This is further complemented by the authority given to the Chief Justice by the General Appropriations Act to augment any item in the appropriation for the Judiciary from savings in other items in such appropriations.

10. Considering the five (5) preceding paragraph, we find that the Court is authorized to utilize both the GOP Counterpart Fund and the FA Account to refund the payments made from the JRSP loan proceeds for these subject transactions. In light of its ineligible status, these are now therefore expenditures directly for the account of the Court itself.

As this status is determined only for purposes of removing it from the coverage of authorized payments from the loan proceeds, it does not affect its legality nor does it affect or negate the benefits which has redounded to the Court, its officials and personnel and the institution as a whole. These transactions in fact were meant to enhance and strengthen the operations of the Court and enhance the capacity of its officials and personnel.

11. Based on the foregoing, we respectfully request approval for the following:

- The payments made out of JRSP loan proceeds for expenditures relating to the following transactions as discussed in our comment-response in relation to the World Bank Aide Memoire be refunded by the JRSP GOP Counterpart Fund:
 - a) Conduct of the distinguished lecture series (DLS)
 - b) Conduct of the seminar on "Revisiting the Code of Conduct for Court Personnel"
 - c) Conduct of and attendance of SC and Judiciary officials to local and international training, seminars and workshops on court administration, international commercial law and facilitating workshops and trainings, and
 - d) Printing of the Reporter's Case Index for the use of justices, judges, court attorneys and legal researchers
- The payments made out from the JRSP loan proceeds for expenditures incurred in the procurement of IT equipment for various SC offices, as discussed in our comment-response in relation to the World Bank Aide Memoire be refunded by the Supreme Court's Fiscal Autonomy (FA) Fund.

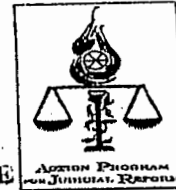
12. For Your Honor's information and appropriate action, please.

Aureline Faira Uy



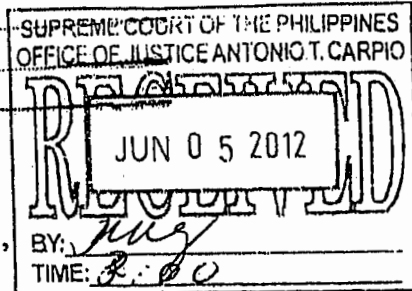
REPUBLIC OF THE PHILIPPINES

Supreme Court
Program Management Office



JRSP - PROGRAM MANAGEMENT OFFICE

By : gum
Date : 6/6/12
Site : Q-SID-M



MEMORANDUM

FOR : **Hon. Antonio T. Carpio**
Senior Associate Justice
(Per Section 12, R.A. 296, the Judiciary Act of 1948,
as amended)

THRU : **Madame Justice Teresita J. Leonardo-de Castro**
Chairperson, JRSP Management Committee

FROM : **Geraldine Faith A. Econg**
Judicial Reform Program Administrator

SUBJECT: **Refund of JRSP Expenditures Declared as Ineligible by the World Bank**

DATE : **30 May 2012**

*For the Senior Associate Justice Carpio
consideration and appropriate
action. 27 June 5, 2012*

1. Your Honors may recall that in their Aide Memoire dated 28 December 2011, the World Bank declared certain expenditures under the Judicial Reform Support Project (JRSP) as ineligible for funding from the loan proceeds of the Project. Attached as Annex A is the said list of ineligible expenditures.
2. On 31 January 2012, Madame Justice Teresita J. Leonardo-de Castro, as the Chairperson of the JRSP Management Committee which held discussions on the issues raised in the Aide Memoire, endorsed to the World Bank the SC-PMO's response/comments relative to the alleged ineligible expenditures (Annex B).
3. In an email dated 26 April 2012 (Annex C), Mr. Amitabha Mukherjee, Task Team Leader of the World Bank for the JRSP, indicated that, based on the documents submitted by the PMO, an amount equivalent to USD28,656.00 (or PHP1,491,351.00) has been reconsidered as eligible expenditure, bringing down the amount that needs to be refunded to USD132,766.00.
4. On 08 May 2012, the PMO sent a letter to the World Bank clarifying that based on the records of the PMO, the correct total amount to be refunded should be USD115,416.01 and not USD132,766.00 (Annex D).
5. In a recent telephone conversation with the undersigned, Mr. Mukherjee said that we can already start processing the refund for the ineligible expenditures based on the amount stated in our letter mentioned in item 4 above.
6. With the above, and in view of the closing of the JRSP by 30 June 2012, may we respectfully request approval to refund the amount of USD115,416.01 to the JRSP Special Account (Loan Proceeds), to be sourced from the JRSP-GOP Counterpart Fund.
7. For Your Honors' kind consideration, please.

Geraldine Faith A. Econg

Philippines: Judicial Reform Support Project (Loan 7191-PI)

Fiduciary Review (Annex 4 to Aide Memoire): List of Ineligible Expenditures Based on Fiduciary Review

WA#	Item#	Cat.	Project Component	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	Invoice Amount (PHP)	Amt Paid from Special Acct (USD)	Remarks
174	1	3	B2	Staff of Financial Management Office, Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on June 22, 2011	8,000	188.26	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).
174	21	3	D1	Staff of Program Management Office, Supreme Court of the Philippines	Reimbursement of traveling expenses in his trip to Cebu in connection with the conferment of an Honorary Degree on Justice xx of the Unified Judiciary of Guam by the Univ of Cebu, March 17-19, 2011	2,250	41.99	Ineligible: Expenditure (a) not connected with project development objective and (b) not agreed with the World Bank
127	8	3	D1	Conference of Court Public Information Officers, National Center for State Courts, 300 Newport Avenue, Williamsburg, VA, USA	Registration of Senior Supreme Court Official for his participation in the 19th Annual Conference of Court Public Information Officers on Aug 19-11, 2010 in Atlanta, GA, USA.	5,860	126.48	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
145	6	3	B1	Staff of Office of Administrative Services Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on Feb. 16, 2011.	8,000	185.65	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).
155	1	3	B2	Staff of Financial Management Office, Office of the Court Administrator	Resource Speaker's fee during a seminar on Revisiting the Code of Conduct for the Court Personnel on Mar. 15, 2011	7,200	168.25	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).
160	1	3	B2	Staff of Financial Management Office Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on Apr. 26, 2011	8,000	186.08	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).
160	3	3	B2	Staff of the Program Management Office Supreme Court of the Philippines	Reimbursement of food expenses in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on Mar 18, 2011.	14,259	330.92	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
160	5	3	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St Malate Manila	Airfare of Judge xx et al for official trip to Sydney for the International Commercial Law Conference on May 5-7 2011.	98,294	2,292.05	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
162	1	3	B2	Staff of Financial Management Office Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on May 10, 2011	8,000	186.52	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).
162	5	3	B2	Staff of Financial Management Office Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on June 8, 2011	8,000	185.65	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).
162	6	3	B2	Staff of Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on May 31, 2011	8,000	185.66	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).
162	7	3	D1	Staff of Supreme Court of the Philippines	Liquidation of cash advance for travelling allowance in her trip to Bogor Indonesia to attend the Asia Pacific Regional Conference of the International Association of Court Administrator on March 13-16, 2011	107,364	2,494.40	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
162	8	3	D1	C. A. RTC 69, Tarlac City	Liquidation of cash advance for travelling allowance for trip to Sydney Australia to attend the International Law Conference on May 5-7, 2011	170,882	4,011.99	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
162	9	3	D1	D. A. RTC 18, Cagayan de Oro	Liquidation of cash advance for travelling allowance in his trip to Sydney Australia to attend the International Law Conference on May 5-7, 2011	170,882	3,979.38	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
141	7	3	B1	Staff of Office of Administrative Services Supreme Court of the Philippines	Resource person during seminar workshop on Revisiting the Code of Conduct for the Court Personnel on Jan 26, 2011	8,000	184.59	Ineligible - Per Loan Agreement, Schedule 1, paragraph 2(c).

141	14	3	D1	International Association of Court Administrators, 601 West Broadway, Rm. 106 Louisville, Kentucky USA	Telegraphic transfer for registration fee of Senior Supreme Court Officials in attending the IACA Asia Pacific Regional conference in Bogor, Indonesia on Mar 13-16, 2011.	57,997	1,326.86	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
138	1	3	D1	Gold Venture Lease & Management Services, Inc. 7829 Makati Avenue, Makati City	Room accommodation of Mr. D. B. and Co. during the 1st Chief Justice Distinguished Lecture of 2011 and Goodwill Games between the Judiciary of Guam and Supreme Court of the Phil	69,000	1,562	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
138	2	3	D1	LGC Restaurant, Inc. 1911 M. Adriatico St. Remedios Circle Malate Manila	Meals during lunch meeting with Justice xx and delegation from Unified Courts of Guam on Jan. 13, 2011	33,539	766	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank

141	8	3	3	Dasing Canteen and Catering Services 1532 Leon Guinto St, Baarangay 694 Malate Manila	Supply during the Goodwill Games as part of the Knowledge Sharing between the Judiciaries of Guam and Philippines on Jan. 13 -14, 2011	9,080	209	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
145	21	3	D1	Manila Hotel One Rizal Park 1099 Manila	Food during dinner in honor of Justice xx and delegation of the Unified Court of Guam on January 13, 2011	79,212	1,838	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	3	3	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St Malate Manila	Airfare of Senior Supreme Court Official for his trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	12,372	289	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	4	3	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St Malate Manila	Airfare of E. E. in his trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	5,810	136	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	5	3	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St Malate Manila	Airfare of P. P., at al in their trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	16,052	375	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	6	3	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St Malate Manila	Airfare of E. V., et al in their trip to Cebu in connection with the conferment of an Honorary Degree to Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	11,705	274	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	8	3	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St. Malate Manila	Airfare of M. M. In his trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the Universay of Cebu on March 18,2011	5,810	135	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	11	3	D1	Staff of Program Management Office Supreme Court of the Phil.	Reimbursement of travelling expenses in her trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 17 - 19, 2011	6,550	153	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	17	3	D1	Hotel Specialist (Cebu) Inc, Serging Osemena Blvd. corner Juan Luma Avenue, Cebub Cay	Food and accomodation of xx in Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	35,327	829	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
145	19	3	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St. Malate Manila	Airfare of L. D. to attend the Asia Pacific Regional Conference of the International Association for the Court Administration in Jakarta on March 13 -16, 2011	18,634	429	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
145	20	3	D1	Prestige Travel, Inc. Unrt D. Manila Bay Arcade Quirino Avenue. Cortabitarte St., Malate Manila	Airfare of Senior Supreme Court Official to attend the Asia Pacific Regional Conference of the International Association for the Court Administration in Jakarta on March 13 -16, 2011	43,662	1,016	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
145	2	3	A1	OCCI Fullness Foundation, Inc. 6/F Emerald Bldg. F. Ortigas Jr. Road, Ortigas Center, Pasig City	Services rendered as resource person on Strategic Workshop for the xx to address Case Decongestion and Delay in the Lower Court at Holiday Inn Clark on January 7-9 2011	148,706	3,467	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan

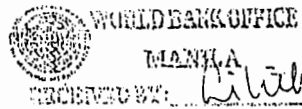
155	2	3	D2	Ateneo de Manila University Loyola Heights, Quezon Crty	Seminar fee of M. P. in his attendance on Facilitating Adult Learning on March 22-25, 2011	16,000	374	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
160	7	3	D1	Senior Supreme Court Official Supreme Court of the Phil.	Liquidation of cash advance for travelling allowance in a trip to Bogor Indonesia to attend the Asia Pacific Regional Conference of the International Association of Court Administrator on March 13 -16, 2011	106,522	2,475	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
138	4	4	A1	Crosspoint Paper, Inc. 57 - A 4th Avenue Cor. Manalac Ave. Bagumbayan Taguig Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	106,500	2,421	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
138	9	4	A1	Tanteko Stationary Rm 204 - 205 SOlex II 1144 Soler St., Binondo Manila	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	7,040	161	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank

138	16	4	A1	Gakken Philippines, Inc. 130 GPI Bldg., Aurora Blvd. San Juan Metro Manila	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	7,680	174	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
138	18	4	A1	U. K. Office Inc. 5548 Plaza Lorenzo Ruiz Binondo Manila	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	2,300	52	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
138	25	4	A1	Tanteko Stationary Rm204 205 Solex II 1144 Soler St., Binondo Manila	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	7,040	160	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
138	26	4	A1	Gakken Philippines, Inc. 130 GPI Bldg., Aurora Blvd. San Juan, Metro Manila	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	7,680	175	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
138	23	4	A1	Crosspoint Paper, Inc. 57 - A 4th Avenue Cor. Marialac Ave. Bagumbayan Taguig, Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	106,500	2,427	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
138	24	4	A1	U. K. Office Inc. 5548 Plaza Lorenzo Ruiz Binondo Manila	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	2,300	52	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
141	5	4	A1	Southern Eastern Phoenix, Inc. Spicers Bldg., 4384 St. Barangay Tejeros, Makati City	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	43,250	1,001	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
141	6	4	A1	Southern Eastern Phoenix, Inc. Spicers Bldg., 4384 St. Barangay Tejeros, Makati City	Payment of printing supplies for publication of additional copies of the Reporter's Case Index	43,250	1,001	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	21	4	A1	U. K. Office Inc. 5548 Plaza Lorenzo Ruiz Binondo Manila	Payment of printing supplies for the publication of additional copies of the Reporter's Case Index	6,360	148	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	22	4	A1	Gakken Philippines, Inc. 130 GPI Bldg., Aurora Blvd, San Juan Metro Manila	Payment of printing supplies for the publication of additional copies of the Reporter's Case Index	30,720	715	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	23	4	A1	Crosspoint Paper, Inc. 57 - A 4th Avenue Cor. Marialac Ave., Bagumbayan Taguig Metro Manila	Payment of printing services for the publication of additional copies of the Reporter's Case Index	403,200	9,386	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	24	4	A1	Southern Eastern Phoenix, Inc. Spicers Bldg 4384 St, Barangay Tejeros, Makati City	Payment of printing supplies for the publication of additional copies of the Reporter's Case Index	165,400	3,850	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
155	25	4	A1	Purity Paper, Inc. 650 Circumferential Rd. Barangay Oatig Antipolo city	Payment of printing supplies for the publication of additional copies of the Reporter's Case Index	26,400	615	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
144	1	2	A7	Advance Solutions Inc.	Payment of 24 units Desktop Computers for the Program Management Office	1,012,320	23,542	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan

138	5	2	A7	Advance Solutions Inc. #5 First Street, Villamar Court Tambo, Paranaque City	Payment of 1 unit IBM Think Center O7OZ in Desktop Computer for PMO	44,181	1,027	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
141	2	2	A7	Micro-D International Inc. 6/F Peninsula Court #8735 Paseo de Roxas Cor. Makati Avenue Makati City	Payment of 2 units Notebooks computers for PMO	105,694	2,458	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
137	1	2	A7	Columbia Technologies Inc. 1136-1145 Julia Nakpil Street Malate Manila	Payment of ICT Equipment for Management Information Systems Office (MISO), Judiciary Case Management System (JCMS) Hardware-Batch1, 35 units Desktop computers, 13 units Laptop computers, 35 units Uninterruptible Power Supply, 10 External Hard Disk, 8 units Flash Drivers	2,655,480	61,755	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
								Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
155	2	2	A7	Marjoly General Merchandise LG 12 Cityland 8 Condo 96 General Gil Puyat Avenue, Makati City	Payment of 1 unit Multimedia Projector for the Office of Hall of Justice	29,000	674	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
146	1	2	A7	Advance Solutions Inc.	Payment of 8 units Laptop Computers for the 2011 Bar Chairperson	364,960	8,487	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
148	1	2	A7	Phil-Data Business Systems Inc.	Payment of 4 units Desktop Computers for the Office of Hall of Justice	190,728	4,436	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
152	1	2	A7	Phil-Data Business Systems Inc.	Payment of 10 Units Desktop Computers for the Office of Hall of Justice	327,920	7,626	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
156	1 9	2	A7	Thine Line Trading	Payment of 2 units Scanners, HP Scanner 8270 for the Office on Halls of Justice	95,900	2,230	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
160	3	2	A7	Marjoly General Merchandise LG 12 Cityland 8 Condo 96 General Gil Puyat Avenue, Makati City	Payment of 1 Laser Printer for the Office of Hall of Justice	36,065	839	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
160	4	2	A7	Advance Solutions Inc. #5 First Street, Villamar Court Tambo, Paranaque City	Payment of 1 Laptop Computer for 2011 Bar Chairperson	65,580	1,525	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
162	5	2	A7	Marjoly General Merchandise LG 12 Cityland 8 Condo 96 General Gil Puyat Avenue, Makati City	Payment of 2 units Printers HP Office Jet 700 for the Program Management Office	30,000	698	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
162	4	2	A7	Phil-Data Business Systems Inc. 3F Kings Court II Bldg. 2129 Chino Roses Ave. 1231 Makati City	Payment of 1 unit Notebook Computer for Procurement and Planning Committee (PPC)	45,814	1,065	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
174	2	2	A7	Advance Solutions Inc. #5 First Street, Villamar Court Tambo, Paranaque City	Payment of 5 units Laptops Computers for the Office on Halls of Justice	227,375	5,288	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan

174	3	2	A7	Columbia Technologies Inc. 1136-1145 J. Nakpil Street Malate Manila	Payment of 4 units Printers for the Program Management Office	40,000	930	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
170	1	2	A7	Phil-Data Business Systems Inc.	Payment of 12 units Desktop Computers and 1 unit Notebook Computer for the OCJ	496,790	11,553	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
174	5	2	A7	Columbia Technologies Inc. 1136-1145 Julia Nakpil Street Malate Manila	Payment of 1 unit Notebook Computer for the Office of Justice xx	139,850	3,252	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
174	8	2	A7	Columbia Technologies Inc. 1136-1145 Julia Nakpil Street Malate Manila	Payment of 1 unit Printer (HP Office Jet K7500A) for the Office of Justice xx	21,850	508	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
181	1	2	A7	Thine Line Trading #10 3rd Avenue Barangay Lipunan ng Crame, Quezon City	Payment of 2 units Printers HP Office Jet for the Office on Halls of Justice	30,900	719	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
174	6	2	A7	Phil-Data Business Systems Inc. 3F Kings Court II Bldg. 2129 Chino Roses Ave. 1231 Makati City	Payment of 1 unit printer HP Lasejet for the Office of the Court Administrator	24,415	568	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
174	7	2	A7	Phil-Data Business Systems Inc. 3F Kings Court II Bldg. 2129 Chino Roses Ave. 1231 Makati City	Payment of 1 Notebook Computer for the Office of the Administrative Services (OAS-Training)	50,424	1,173	Ineligible: Expenditure (a) not connected with project development objective and (b) activity not agreed with the World Bank
174	9	2	A7	Phil-Data Business Systems Inc. 3F Kings Court II Bldg. 2129 Chino Roses Ave. 1231 Makati City	Payment of 1 unit Notebook computer, the Office of Justice xx	33,618	782	Ineligible: Activity not agreed with the World Bank and not reflected in procurement plan
Total Ineligible Expenditure						8,602,504	199,900	
Less: Refunded on WA - 174							(38,478)	
Balance to be refunded							161,422	

SCANNED 1/31/12



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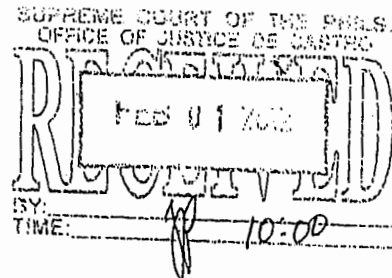
Republic of the Philippines
Supreme Court
Manila

Annex B

FROM THE CHAMBERS OF:

Teresita J. Leonardo-De Castro
ASSOCIATE JUSTICE

January 31, 2012



Mr. Matthew Stephens
Acting Country Director -- Philippines
World Bank
23/F The Taipan Place
Emerald Avenue, Ortigas Center, Pasig City

Dear Mr. Stephens,

This refers to the World Bank's Implementation Support Mission Aide Memoire October 24-November 12, 2011, re: Judicial Reform Support Project (Loan 7191-PH), which you endorsed to me through your letter dated December 28, 2011. I note that your letter clearly adverts to the "deliberative nature of information [in the Aide Memoire] some of which is still to be confirmed." For that reason, in the same Aide Memoire, the World Bank Mission Team requested the Supreme Court Program Management Office (PMO) "to please point out any errors or omissions in the list of ineligible expenditures."

Attached hereto is the SC-PMO's Response/Comments relative to said alleged ineligible expenditures mentioned in the Aide Memoire.

Other issues and matters raised in the Aide Memoire shall be addressed and discussed in a separate communication which will be submitted in February 2012.

Considering the admitted deliberative nature of the Aid Memoire, it is requested that a meeting of the World Bank Task Team/Representatives with the Supreme Court PMO and concerned officials be set as soon as possible to discuss the issues and matters raised in the Aide Memoire so that they can be resolved within the month of February 2012.

Your early response to this letter will be appreciated.

Very truly yours,

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Chairperson, JRSP Management Committee

Subject: PH JRSP - Ineligible Expenditures - Review of Documents Shared by PMO - Revised List of Ineligible Expenditures & Revised Balance to be Refunded

From: Amukherjee@worldbank.org (Amukherjee@worldbank.org)

To: geraldinefaith@yahoo.com;

Cc: Amit5201@gmail.com; ead5159@yahoo.com; ibobor33@yahoo.com; adeguzman1@worldbank.org; ahailselessie@worldbank.org; Mpayos@worldbank.org; Itolentino1@worldbank.org; pabella@worldbank.org; ccheng2@worldbank.org; tessdecastro888@yahoo.com; zpapouts@worldbank.org; Rsiva@worldbank.org; geraldthacker@comcast.net; atoft@worldbank.org; Spadilla@worldbank.org;

Date: Thursday, April 26, 2012 6:56 AM

Dear Judge Econg,

Thank you for your attached email on the above subject and the documents you shared with us. We have carefully reviewed those documents and related information. Table 1 below depicts the information about the procurement process for the ICT equipment for the PMO. We note that in the case of the the 2 Notebooks for the PMO, procured from Micro-D, the contract appears to have been signed before the date of the BAC-APJR Resolution to award the contract. Nevertheless, in view of the documents shared by you, we are pleased to inform you that the expenditures in Table 1 are declared eligible following review.

Our calculations show that the revised balance to be refunded is now US\$132,766. A summary is at Table 2 below, and the complete revised list of ineligible expenditures as of April 26, 2012 is in the attached Excel sheet. We would be grateful if the revised amount of US\$ 132,766.00 could please be refunded as soon as possible. Please let us know if you have further questions.

Thanks and best regards,
Amit

Table 1 - PMO ICT Equipment Purchase Details

Component	Contract Description	Supplier	Contract Amount (PHP)	Date of Invitation to Quote	Date of BAC Resolution to Award contract	Date Contract Signed	Date Delivered
A.7	24 desktop for PMO	Advance	1,012,320	08/12/2010	10/26/2010	12/7/2010	12/29/2010
A.7	1 IBM Think Center for PMO	Advance	44,181	08/12/2010	10/19/2010	12/7/2010	1/5/2011
A.7	2 notebooks for PMO	Micro -D	105,800	08/12/2010	10/19/2010	10/7/2010	1/11/2011
A.7	ICT Equipment for PMO	Marjoly	259,050	11/11/2010	01/04/2011	1/19/2011	1/27/2011
A.7	2 Printers PMO	Marjoly	30,000	01/11/2011	04/15/2011	5/13/2011	5/16/2011
A.7	4 Printers PMO	Columbia	40,000	01/11/2011	03/01/2011	5/25/2011	5/27/2011

Table 2 - Summary of Ineligible Expenditures as of April 26, 2012

Brief Description of Goods, Works or Services	Invoice Amount (PHP)	Amt Paid from Special Acct (USD)
Total Expenditures Initially Declared Ineligible	8,602,504	199,900
Less: Refunded through Withdrawal Application no. 174		(38,478)
Balance to be refunded		161,422
Less: PMO ICT Eqpt. declared eligible Apr 2012 after		28,656
Revised Balance to be refunded (as of April 26, 2012)		132,766

Excel Table with Revised List of Ineligible Expenditures: (See attached file: 120426_PH JRSP_Revised List of



REPUBLIC OF THE PHILIPPINES

Supreme Court

Program Management Office

SCANNED 5/16/12



Annex D

8 May 2012

MR. AMITABHA MUKHERJEE

Task Team Leader for Judicial Reforms

The World Bank

23/F, The Taipan Place

Ortigas Center, Pasig City

Dear Mr. Mukherjee:

Thank you for your email dated April 26, 2012 declaring as eligible the expenditures involving the purchase of various PMO ICT equipment. In the same email the PMO is also requested to refund the amount of USD 132,766.00.

We have checked the list of the ineligible transactions, compared it with the records of the PMO and found several inaccuracies in the amounts of some of the items in the list. A summary of the comparison is shown below, with the details provided in Annex A attached hereto.

	World Bank's Records		PMO Validated Amount		Over (Under)	
	In Php	In USD	In Php	In USD	In Php	In USD
Total	8,602,504.00	199,900.00	8,605,503.06	199,765.45	(3,000.06)	123.28

We also noted that the World Bank's record on the total refunds made by the PMO is understated by USD11,295.14. Apparently, it did not consider the refunds made under Withdrawal Application (WA) No. 181. A summary of the refund comparison is shown below, with the details provided in Annex B.

	World Bank's Records	PMO Validated Amount	Over (Under)
	In USD	In USD	In USD
Total	38,478.00	49,773.14	(11,295.14)

In addition, we also noted that the total of the PMO ICT equipment declared eligible is understated by USD5,920.30. A summary of the cost comparison is shown below, with the details provided in Annex C.

	World Bank's Records	PMO Validated Amount	Over (Under)
	In USD	In USD	In USD
Total	28,656.00	34,576.30	(5,920.30)

6/F Supreme Court Centennial Building
Padre Faura St., Ermita, Manila
Tel: 552-9578 - 86; Fax: 552-9586, 552-9580, 552-9604
Email: jrp1@supremecourt.gov.ph
Website: www.apjr-sc-phil.org



REPUBLIC OF THE PHILIPPINES
Supreme Court
Program Management Office



Based on the above, the correct total amount to be refunded should be USD115,416.01 and not USD 132,766.00. A summary of the revised computation is shown below, with the details provided in Annex D.

Particulars	Amount in PHP	Amount in USD
Correct total of expenditures initially declared ineligible	8,605,503.06	199,765.45
Less: Refunds made under Withdrawal Application No. 174 and 181	0	49,773.14
Balance to be refunded		149,992.31
Less: Correct total of PMO ICT Equipment declared eligible		34,576.30
Correct revised balance to be refunded		115,416.01

We hope that the World Bank will duly rectify its records based on the above information. We intend to refund to the Bank the amount of **USD115,416.01** as soon as we get the authorization from the Office of the Chief Justice.

Thank you and best regards.

Very truly yours,

Geraldine Faith A. Econg
GERALDINE FAITH A. ECONG
Deputy Clerk of Court and
Judicial Reform Program Administrator

Encl.: SOE No. 174 and 181

6/F Supreme Court Centennial Building
Padre Faura St., Ermita, Manila
Tel: 552-9578 - 86; Fax: 552-9586, 552-9580, 552-9604
Email: jrp1@supremecourt.gov.ph
Website : www.apjr-sc-phil.org

Annex D
Overall Comparison of WB and PMO Records

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpm (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
1	174	B2	Staff of Financial Management Office, Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on June 22, 2011	8,000.00	188.26	8,000.00	188.26			188.26
2	174	D1	Staff of Program Management Office, Supreme Court of the Philippines	Reimbursement of travelling expenses in his trip to Cebu in connection with the conferment of an Honorary Degree on Justice xx of the Unified Judiciary of Guam by the University of Cebu, March 17-19, 2011	2,250.00	41.99	2,250.00	53.58			53.58
3	127	D1	Conference of Court Public Information Officers, National Center for State Courts, 300 Newport Avenue, Williamsburg, VA	Registration of Senior Supreme Court Official for his participation in the 19 th Annual Conference of Court Public Information Officers on Aug. 19-11, 2010 in Atlanta, GA, U.S.A	5,860.00	126.48	5,859.60	126.48			126.48
4	145	B1	Staff of Office of Administrative Services Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on Feb. 16, 2011	8,000.00	185.65	8,000.00	185.65			185.65
5	155	B2	Staff of Financial Management Office, Office of the Court Administrator	Resource Speaker's fee during a seminar on Revisiting the Code of Conduct for the Court Personnel on Mar. 15, 2011	7,200.00	168.25	7,200.00	168.25			168.25
6	160	B2	Staff of Financial Management Office, Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on Apr. 26, 2011	8,000.00	186.08	8,000.00	186.08			186.08

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpmt (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
7	160	B2	Staff of the Program Management Office, Supreme Court of the Philippines	Reimbursement of food expenses in connection with conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on Mar. 18, 2011	14,259.00	330.92	14,259.00	330.92	330.92		-
8	160	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade, Quirino Ave. Cortabitarte St. Malate, Manila	Airfare of Judge xx et al official trip to Sydney for International Commercial Law Conference on May 5-7, 2011	98,294.00	2,292.05	98,294.00	2,292.05	2,292.05		-
9	160	B2	Staff of Financial Management Office, Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on May 10, 2011	8,000.00	186.52	8,000.00	186.52			186.52
10	162	D1	Staff of Financial Management Office, Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on June 8, 2011	8,000.00	185.65	8,000.00	185.65			185.65
11	162	D1	Staff of Office of the Court Administrator	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on May 31, 2011	8,000.00	185.66	8,000.00	185.66			185.66
12	162	B1	Staff of Office of the Court Administrator	Liquidation of cash advance for travelling allowance in her trip to Bogor Indonesia to attend the Asia Pacific Regional Conference on the International Association of Court Administrators on March 13-16, 2011	107,364.00	2,494.40	107,364.00	2,494.40	2,494.40		-
13	162	D1	C.A. RTC 69, Tarlac City	Airfare of Judge xx et al official trip to Sydney for International Commercial Law Conference on May 5-7, 2011	170,882.00	4,011.99	170,882.00	4,011.99	4,011.99		-
14	162	B2	C.A. RTC 18, Cagayan De Oro City	Airfare of Judge xx et al official trip to Sydney for International Commercial Law Conference on May 5-7, 2011	170,882.00	3,979.38	170,882.00	3,979.38	3,979.38		-

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpmt (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
15	141	B2	Staff of Office of Administrative Services , Supreme Court of the Philippines	Resource Speaker's fee for seminar on Revisiting the Code of Conduct for the Court Personnel on Jan 26, 2011	8,000.00	184.59	8,000.00	184.59			184.59
16	141	B2	International Association of Court Administrator, 601 West Broadway, Rm 106 Louisville, Kentucky USA	Telegraphic transfer for registration fee of Senior Supreme Court Officials in attending the IACA Asia Pacific Regional Conference in Bogor, Indonesia on Mar. 13-16, 2011	57,997.00	1,326.86	57,997.05	1,326.86			1,326.86
17	138	D1	Gold Venture Lease & Management Services, Inc. 782 Makati Avenue, Makati City	Room accommodation of Mr. D.B. and Co. during the 1 st Chief Justice Distinguished Lecture of 2011 and Goodwill Games between the Judiciary of Guam and Supreme Court of the Philippines	69,000.00	1,562.00	69,000.00	1,561.54	1,561.54		-
18	138	D1	LGC Restaurant, Inc. 1911 M. Adriatico St. Remedios Circle, Malate, Manila	Meals during lunch meeting with Justice xx and delegation from Unified Courts of Guam on Jan. 13, 2011	33,539.00	766.00	33,539.24	765.91	765.91		-
19	141	3	Dasing Canteen and Catering Services 1532 Leon Guinto St. Barangay 694 Malate, Manila	Supply during the Goodwill Games as part of the Knowledge Sharing between the Judiciaries of Guam and Philippines on Jan. 13-14, 2011	9,080.00	209.00	9,080.00	208.78	208.78		-
20	145	D1	Manila Hotel One Rizal Park 1099 Manila	Food during dinner in honor of Justice xx and delegation of the Unified Court of Guam on Jan. 13, 2011	79,212.00	1,838.00	79,211.92	1,838.21	1,838.21		-
21	155	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade, Quirino Avenue, Cortabitarte St. Malate, Manila	Airfare of Senior Supreme Court Official for his trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	12,372.00	289.00	12,372.00	289.11	289.11		-

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpmt (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
22	155	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade, Quirino Avenue, Cortabitarte St. Malate, Manila	Airfare of E.E. in his trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	5,810.00	136.00	5,810.00	135.77	135.77		-
23	155	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade, Quirino Avenue, Cortabitarte St. Malate, Manila	Airfare of P.P. et al, in their trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	16,052.00	375.00	16,052.00	375.11	375.11		-
24	155	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade, Quirino Avenue, Cortabitarte St. Malate, Manila	Airfare of E.V. et al, in their trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	11,705.00	274.00	11,705.00	273.53	273.53		-
25	155	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade, Quirino Avenue, Cortabitarte St. Malate, Manila	Airfare of M.M., in their trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	5,810.00	135.00	5,810.00	135.45	135.45		-
26	155	D1	Staff of Program Management Office Supreme Court of the Philippines	Reimbursement of travelling expenses in her trip to Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 17-19, 2011	6,550.00	153.00	6,550.00	152.53	152.53		-

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpmnt (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
27	155	D1	Hotel Specialist (Cebu) Inc., Serge Osmeña Boulevard	Food accommodation of xx in Cebu in connection with the conferment of an Honorary Degree of Justice xx of the Unified Judiciary of Guam by the University of Cebu on March 18, 2011	35,327.00	829.00	35,327.47	829.42	829.42		-
28	145	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St., Malate, Manila	Airfare of LD to attend the Asia Pacific Regional Conference of the International Association for the Court Administration in Jakarta on March 13-16, 2011	18,634.00	429.00	18,634.00	428.95	428.95		-
29	145	D1	Prestige Travel, Inc. Unit D, Manila Bay Arcade Quirino Avenue, Cortabitarte St., Malate, Manila	Airfare of Senior Supreme Court Officials to attend the Asia Pacific Regional Conference of the International Association for the Court Administration in Jakarta on March 13-16, 2011	43,662.00	1,016.00	43,662.00	1,015.59	1,015.59		-
30	145	A1	OCCI Fullness Foundation, Inc. 6/F Emerald Bldg. F. Ortigas Jr. Road, Ortigas Center, Pasig	Services rendered as resource person on Strategic Workshop for the xx to address Case Decongestion and Delay in the Lower Court at Holiday Inn Clark on January 7-9, 2011	148,706.00	3,467.00	148,706.00	3,466.91	3,466.91		-
31	155	D2	Ateneo de Manila University Loyola Heights, Quezon City	Seminar fee of M.P. in his attendance on Facilitating Adult Learning on March 22-25, 2011	16,000.00	374.00	16,000.00	373.89	373.89		-
32	160	D1	Senior Supreme Court Official Supreme Court of the Philippines	Liquidation of cash advance for travelling allowance in a trip to Bogor Indonesia to attend the Asia Pacific Regional Conference of the International Association of Court Administrator on March 13-16, 2011	106,522.00	2,475.00	106,521.60	2,474.83	2,474.83		-

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpm (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
33	138	A1	Crosspoint Paper, Inc. 57-A 4 th Ave., cor. Mañalac Ave., Bagumbayan Taguig Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	106,500.00	2,421.00	106,500.00	2,421.01	2,421.01		-
34	138	A1	Tanteco Stationery Rm. 204-205 Solex II 1144 Soler St., Binondo Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	7,040.00	161.00	7,040.00	161.32	161.32		-
35	138	A1	Gakken Philippines, Inc. 130 GPI Bldg. Aurora Blvd. San Juan Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	7,680.00	174.00	7,680.00	173.80	173.80		-
36	138	A1	U. K. Office, Inc. 5548 Plaza Lorenzo Ruiz, Binondo Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	2,300.00	52.00	2,300.00	52.16	52.16		-
37	138	A1	Tanteco Stationery Rm. 204-205 Solex II 1144 Soler St., Binondo Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	7,040.00	160.00	7,040.00	160.40	160.40		-
38	138	A1	Gakken Philippines, Inc. 130 GPI Bldg. Aurora Blvd. San Juan Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	7,680.00	175.00	7,680.00	174.99	174.99		-
39	138	A1	Crosspoint Paper, Inc. 57-A 4 th Ave., cor. Mañalac Ave., Bagumbayan Taguig Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	106,500.00	2,427.00	106,500.00	2,426.53	2,426.53		-
40	138	A1	U. K. Office, Inc. 5548 Plaza Lorenzo Ruiz, Binondo Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	2,300.00	52.00	2,300.00	52.40	52.40		-
41	141	A1	Southern Eastern Phoenix, Inc. Spicers Bldg., 4384 St., Barangay Tejeros, Makati City	Payment of printing services for publication of additional copies of the Reporter's Case Index	43,250.00	1,001.00	43,249.99	1,001.34	1,001.34		-

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpmnt (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
42	141	A1	Southern Eastern Phoenix, Inc. Spicers Bldg., 4384 St., Barangay Tejeros, Makati City	Payment of printing services for publication of additional copies of the Reporter's Case Index	43,250.00	1,001.00	43,249.99	1,001.34	1,001.34		-
43	155	A1	U. K. Office, Inc. 5548 Plaza Lorenzo Ruiz, Binondo Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	6,360.00	148.00	6,360.00	148.05	148.05		-
44	155	A1	Gakken Philippines, Inc. 130 GPI Bldg. Aurora Blvd. San Juan Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	30,720.00	715.00	30,720.00	715.10	715.10		-
45	155	A1	Crosspoint Paper, Inc. 57-A 4 th Ave., cor. Mañalac Ave., Bagumbayan Taguig Metro Manila	Payment of printing services for publication of additional copies of the Reporter's Case Index	403,200.00	9,386.00	403,200.00	9,385.70	9,385.70		-
46	155	A1	Southern Eastern Phoenix, Inc. Spicers Bldg., 4384 St., Barangay Tejeros, Makati City	Payment of printing services for publication of additional copies of the Reporter's Case Index	165,400.00	3,850.00	165,400.00	3,850.19	3,850.19		-
47	155	A1	Purity Paper, Inc. 650 Circumferential Road, Barangay Dalig, Antipolo City	Payment of printing services for publication of additional copies of the Reporter's Case Index	26,400.00	615.00	26,400.00	614.54	614.54		-
48	144	A7	Advance Solution, Inc.	Payment of 24 units of Desktop Computers for the Program Management Office	1,012,320.00	23,542.00	1,012,320.00	23,487.93		23,487.93	-
49	138	A7	Advance Solutions, Inc.	Payment of 1 unit of Think Center 0702 Desktop Computer for PMO	44,181.00	1,027.00	44,181.00	1,002.07		1,002.07	-
50	141	A7	Micro D International, Inc. 6/F Peninsula Court # 8735 Paseo de Roxas cor. Makati Avenue, Makati City	Payment of 2 units of notebook computer for PMO	105,694.00	2,458.00	105,694.20	2,430.26		2,430.26	-

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpmnt (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
51	137	A7	Columbia technologies, Inc. 1136-1145 Julia Nakpil St., Malate Manila	Payment of ICT Equipment for the Management Information Systems Office (MISO), Judiciary Case Management System (JCMS) Hardware Batch 1, 35 desktop, 13 laptop, 35 UPS, 10 external hard disk, 8 flash drive	2,655,480.00	61,755.00	2,655,480.00	61,146.81			61,146.81
52	145	A7	Marjoly General Merchandise, Inc.	Payment of 11 units of notebook computers for the Office of the Court Administrator	259,050.00	6,024.00	259,050.00	6,018.55		6,018.55	-
53	155	A7	Marjoly General Merchandise, Inc.	Payment of 1 unit of Multi Media Projector for the Office on the Hall of Justice (OHJ)	29,000.00	674.00	29,000.00	675.33			675.33
54	146	A7	Advance Solutions, Inc.	Payment of 8 units of Laptop Computers for the 2011 Bar Chairperson	364,960.00	8,487.00	364,960.00	8,514.59			8,514.59
55	148	A7	Phil-Data Business Systems, Inc.	Payment of 4 units of desktop computers for the OHJ	190,728.00	4,436.00	190,728.00	4,464.52			4,464.52
56	152	A7	Phil-Data Business Systems, Inc	Payment of 10 units of desktop computers for the OHJ	327,920.00	7,626.00	327,920.00	7,650.44			7,650.44
57	156	A7	Thine Line Trading	Payment of 2 units of Scanner 8270 for the OHJ	95,900.00	2,230.00	95,900.00	2,237.36			2,237.36
58	160	A7	Marjoly General Merchandise, Inc. LG 12 Cityland 8 Condo 96 General Gil Puyat Avenue, Makati City	Payment of 1 unit of Laser Printer for OHJ	36,065.00	839.00	36,065.00	840.97			840.97
59	160	A7	Advance Solutions, Inc. # 5 First Street Villamar Court Tambo, Parañaque City	Payment of 1 unit of laptop computer for the 2011 Bar Chairperson	65,580.00	1,525.00	68,580.00	1,594.82			1,594.82

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpm (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
60	162	A7	Marjoly General Merchandise, Inc. LG 12 Cityland 8 Condo 96 General Gil Puyat Avenue, Makati City	Payment of 2 units Printers HP Office Jet 700 for the PMO	30,000.00	698.00	30,000.00	696.18		696.18	-
61	162	A7	Phil-Data Business Systems, Inc. 3/F Kings Court II Bldg. 2129 Chino roces Ave. 1231 Makati City	Payment of 1 unit notebook computer for the Procurement and Planning Committee (PPC)	45,814.00	1,055.00	45,814.00	1,063.16			1,063.16
62	174	A7	Advance Solutions, Inc. # 5 First Street Villamar Court Tambo, Parañaque City	Payment of 5 units of Laptop computers for the OHJ	227,375.00	5,288.00	227,375.00	5,350.76			5,350.76
63	174	A7	Columbia Technologies, Inc. 1136-1145 Julia Nakpil St., Malate Manila	Payment of 4 units of printers for the PMO	40,000.00	930.00	40,000.00	941.31		941.31	-
64	170	A7	Phil-Data Business Systems, Inc. 3/F Kings Court II Bldg. 2129 Chino roces Ave. 1231 Makati City	Payment of 12 units of desktop computers and 1 unit notebook computer for the OCJ	496,790.00	11,553.00	496,790.00	11,762.09			11,762.09
65	174	A7	Columbia Technologies, Inc. 1136-1145 Julia Nakpil St., Malate Manila	Payment of 1 unit of notebook computer for the Office of Justice xx	139,850.00	3,252.00	139,850.00	3,330.16			3,330.16
66	174	A7	Columbia Technologies, Inc. 1136-1145 Julia Nakpil St., Malate Manila	Payment of 1 unit of printer (HP Office Jet K7500A) for the Office of Justice xx	21,850.00	508.00	21,850.00	519.69			519.69
67	181	A7	Thine Line Trading #10 3 rd Avenue, Barangay Lipunan ng Crame, Quezon City	Payment of 2 units Printer HP Office Jet for the OHJ	30,900.00	719.00	30,900.00	715.41			715.41

Item No.	WA#	Proj. Comp	Name and Address of Officials, Contractors or Suppliers	Brief Description of Goods, Works or Services	World Bank's Records		PMO Validated Amount		Refunded under WA 174 & 181 (USD)	Reconsidered PMO ICT Eqpmt (USD)	Still to be refunded (USD)
					In Php	In USD	In Php	In USD			
68	174	A7	Phil-Data Business Systems, Inc. 3/F Kings Court II Bldg. 2129 Chino roces Ave. 1231 Makati City	Payment of 1 unit of printer HP Laser Jet for the Office of the Court Administrator	24,415.00	568.00	24,415.00	581.38			581.38
69	174	A7	Phil-Data Business Systems, Inc. 3/F Kings Court II Bldg. 2129 Chino roces Ave. 1231 Makati City	Payment of 1 unit of notebook computer for the Office of the administrative Services (OAS Training)	50,424.00	1,173.00	50,424.00	1,200.72			1,200.72
70	174	A7	Phil-Data Business Systems, Inc. 3/F Kings Court II Bldg. 2129 Chino roces Ave. 1231 Makati City	Payment of 1 unit of notebook computer for the Office of Justice xx	33,618.00	782.00	33,618.00	790.22			790.22
Total					8,602,504.00	199,900.00	8,605,503.06	199,765.45	49,773.14	34,576.30	115,416.01
Less Refunded under WA 174 and 181						38,478.00		49,773.14			
Balance to be refunded						161,422.00		149,992.31			
Less reconsidered PMO ICT equipment						28,656.00		34,576.30			
Revised balance to be refunded						132,766.00		115,416.01			

CERTIFIED TRUE COPY

EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court

For the Year Ended December 31, 2006

SUPPLEMENTAL COURT OF THE
PHILIPPINES
on the
ANNUAL AUDIT REPORT

COMMISSION ON AUDIT
CONSTITUTIONAL AND STATUTORY
COMMISSION ON AUDIT
CONSTITUTIONAL AND STATUTORY



Annex "B"

EXECUTIVE SUMMARY

JUL 25 2007

BY: JM
TIME: 1:50

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 of excess jurisdiction on the part of any branch or instrumentality of the government.

B. *Financial Highlights*

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

	CY 2006	CY 2005	Increase/ (Decrease)
		(In Philippine Peso)	
A. Financial Condition			
Assets	8,632,772,553.64	7,871,989,748.90	760,782,804.74
Liabilities	4,706,524,475.43	4,051,883,826.07	654,640,649.36
Government Equity	3,926,248,078.21	3,820,105,922.83	106,142,155.38
B. Sources and Application of Funds			
Total Income	10,284,433,278.92	10,377,846,226.74	(93,412,947.82)
Total Expenditures	9,996,706,354.49	8,956,798,609.06	1,039,907,745.43
Balance	287,726,924.43	1,421,047,617.68	(1,133,320,693.25)

C. *Scope of Audit*

The audit was focused on the Court's accounts and financial operations for CY 2006. 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.

D. *Auditor's Report*

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Supreme Court as of December 31, 2006, in accordance with applicable laws, rules and regulations and in conformity with applicable generally accepted state accounting principles.

E. *Observations and Recommendations*

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

1. Validity of Fiduciary Fund of the Lower Courts could not be ascertained because of unreconciled balances of cash and trust accounts by P75,936,712.71, continued non-preparation of bank/treasury reconciliation statements and unreconciled general and subsidiary ledger balances of trust accounts.

We recommend that management should prepare reconciliation statements on the cash and trust accounts of the FF. Adjusting and/or correcting entries must be taken up in the books in order to present the correct balances of the individual accounts. SLs should also be maintained for unwithdrawn FF that are still deposited with MTO/PTO. And, balances of the SLs and the GL's controlling accounts for all FF accounts should at all times be reconciled.

2. Interest earned on FF and forfeited/confiscated bonds amounting to P21,445,848.85 and P2,929,850.00, respectively, were not remitted to the Bureau of Treasury in violation of Section 44, of Book VI of E.O. No. 292, series of 1987.

We reiterate our recommendation that management should require all Clerks of Court to remit to the Bureau of Treasury interest earned on Fiduciary Fund and forfeited/confiscated bonds in accordance with the provisions of Section 44, Book VI of E.O. No. 292 s. of 1987..

3. The consolidated book and bank balances of Cash in Bank - Local Currency, Current Account (111) of the Supreme Court and Lower Courts with the exception of the Judiciary Development Fund showed a difference of P200,071,048.19 due to the non-preparation of monthly bank reconciliation statements, thus affecting the correct valuation and fair presentation of the account in the financial statement and in violation of the provision of Section 74 of P.D. No. 1445.

We recommend that management should submit the BRS as of December 31, 2006 for all bank accounts. It should account for the discrepancy and the reconciling items for adjustments in order to present true balance of the cash account in the financial statement. It should also record adjusting/correcting entries for stale checks and interest earned for the HOJ account. Strict compliance of Section 74 of P.D. No. 1445 and Paragraph 2 1.2 and 4.0 of COA Circular No. 92-125-A on the monthly preparation of the BRS should be observed.

4. Cash advances for local and foreign travels of officials and employees of the Court amounting to P1,905,255.93 remained unliquidated as of year-end in violation of Section 16 of E.O. No. 248 dated May 29, 1995 and Sections 3.1.2.1 and 3.2.2.1 of COA Circular No. 96-004 dated April 19, 1996.

We recommend that management should direct the officials and employees concerned to liquidate their outstanding cash advances immediately within the period required in Section 16 of E.O. No. 248.

5. Cash shortages and salary overpayments of Lower Courts personnel amounting to P17,334,964.91 were not settled as of the year end, including COA disallowances totaling P194,175.45 which are outstanding from 4 to 9 years.

We recommend that management should deduct from the salaries of concerned personnel the unsettled amount of cash shortages and overpayment of salaries.

6. Consolidated Property, Plant and Equipment account balances did not reconcile with the physical count, it showed a difference of P956,564,459.37.

We recommend that Management should segregate the Inventory per Property, Plant and Equipment account, should enforce the reconciliation of the accounting and property records, should account for the discrepancies and should make appropriate adjustments, when justified and supported with documents.

7. The Property, Plant and Equipment account as of December 31, 2006 was overstated because assets for disposal in the amount of P26,877,306.92 were still carried in the account.

We recommend that management should transfer the value of assets that are awaiting final disposition to Other Assets account pursuant to Chapter 2, Section 4 of the Manual on the NGAS, Volume I.

8. The balance of Items in Transit account in the amount of P13,865,153.56 remained in the books despite prior years recommendations to transfer the account to the Registry of Dormant Accounts while waiting for COA's approval to write off the account.

We recommend that management should transfer the account to the Registry of Dormant Accounts in accordance with COA Circular No. 97-001 dated February 5, 1997 as shown in Appendix 23 of the Manual on the NGAS while waiting for COA's approval on the writing off of account.

9. Construction-In-Progress account in the amount of P79,750,458.35 was not adjusted to its appropriate account for lack of supporting documents. The account had been dormant for the last six (6) years.

We recommend that management should exert extra effort to locate the supporting documents and should effect adjustments when properly documented. In the meantime, the account should be transferred to the Registry of Dormant Accounts in accordance with COA Circular No. 97-001 dated February 5, 1997 as shown in Appendix 23 of the Manual on the NGAS.

10. Inter-agency payables had negative balances in the total amount of P81,234,959.22, thus, affecting the accuracy and reliability of the accounts.

We recommend that management should continue to investigate the causes of the negative balances and effect corrections to show the true balance of the accounts.

11. Book and bank balances of Cash in Bank was not reconciled in violation of Section 74 of PD 1445, with a difference of P248,296,598.63, thus

affecting the correct valuation and fair presentation of the account in the financial statement

We recommend that management should enforce the preparation of bank reconciliation statement in accordance with Section 74 of P.D. No. 1445. It should also account for the difference and effect adjustments for reconciling items when properly documented.

- 13 Splitting of contracts was committed in the procurement of steel filing safe cabinets in the amount of P359,600.00 and procurement of services for the general treatment and control of termites in various halls of Justice in the amount of P1,033,637.80. The Court also split the payments of Purchase Order No. 05-12-0011866 dated December 15, 2005 into 22 payments despite the fact that no such provision could be found in the purchase order.

We recommend that management should investigate splitting of contracts and payments. Likewise, the provisions of Section 10 and Article 10 of RA 9184 and Section 54-1, IRR of RA No. 9184 should be strictly implemented.

The above observations and recommendations were discussed with the management and their comments were incorporated in the report where appropriate.

F. *Implementation of Prior Year's Recommendations*

Out of the twenty-two (22) audit recommendations embodied in the 2005 Annual Audit Report, four (4) were fully implemented, fifteen (15) were partially implemented and three (3) were not implemented.



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

CLUSTER II: Legislative/Judicial/Constitutional Commissions
National Government Sector

October 7, 2008

The Honorable Chief Justice
Supreme Court of the Philippines
Manila

Sir:


We are pleased to transmit the Auditor's Annual Audit Report on the Supreme Court of the Philippines for calendar year 2007, in compliance with Section 43 of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines."

The attached report consists of the Audit Certificate; the Audited Financial Statements; the Observations and Recommendations which were discussed with concerned Management officials and staff; and the Status of Implementation of Prior Year's Audit Recommendation. The audit was conducted in accordance with generally accepted state auditing standards and we believe that it provides reasonable bases for the results of audit.

Pursuant to Section 91, General Provisions of the General Appropriations Act, Fiscal Year 2007 (RA 9401), we request a status report on the actions taken on the audit recommendation within sixty days from receipt of this report.

We express our appreciation for the valuable support and cooperation extended by the officials and staff of that Agency.

Very truly yours,


REYNALDO A. VILLAR
Chairman

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 Court 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 of excess jurisdiction on the part of any branch or instrumentality of the government.

B. *Financial Highlights*

	CY 2007	CY 2006	Increase/ (Decrease)
(In Philippine Peso)			
A. Financial Condition			
Assets	9,175,291,469.50	8,632,772,553.64	542,518,915.86
Liabilities	5,003,487,309.11	4,706,524,475.43	296,962,833.68
Government Equity	4,171,804,160.39	3,926,248,078.21	245,556,082.18
B. Sources and Application of Funds			
Allotment	9,750,254,384.87	8,173,003,606.35	1,577,250,778.52
Expenditures	9,120,424,380.58	8,049,112,954.92	1,071,311,425.66
Balance	629,830,004.29	123,890,651.43	505,939,352.86

C. *Scope of Audit*

The audit was focused on the Court's accounts and financial operations for CY 2007. 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.

D. *Auditor's Report*

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Supreme Court as of December 31, 2007, in accordance with applicable laws, rules and regulations and in conformity with applicable generally accepted state accounting principles.

E. *Observations and Recommendations*

The audit reveals favorable observations as well as deficiencies which, together with corresponding recommendations, are summarized as follows:

Favorable Observations

1. The SC accomplishments included landmark decisions on several controversial cases, the cleansing of the court, the passage of the rule on Writ of Amparo, and the continuance of its judicial reform program.
2. The year 2007 saw the launching of component B of the new Asian Development Bank (ADB) Technical Assistance Grant, under which ADB worked closely with the SC and other pillars of justice to promote long-term improvements in the overall administration of justice by enhancing the capabilities of the justice sector agencies through processes and systems development; the launching of the Court-Annexed Mediation on Wheels Program under the World Bank-assisted Justice on Wheels Project in Rizal; and the blessing and inauguration of the Lapu-lapu City Hall of Justice (HOJ), the country's first pilot model court and the launching of the ADB-assisted Regional Court Administration Office (RCAO) Pilot Project and e-Register Project.

Regular Agency Fund

3. Interest earned on Fiduciary Funds and forfeited/confiscated bonds totaling P42,595,942.64 and P32,983,469.00, respectively, were not remitted to the Bureau of Treasury (BTr) despite the requirement of Section 44, of Book VI of Executive Order No. 292, series of 1987.

We reiterate our recommendation that management remit the interest earned and confiscated/forfeited bonds on FFs to the BTr in accordance with the provisions of Section 44, Book VI of E.O. No. 292, series of 1987.

4. Commitment Fees in the amount of P13,754,859.51 were incurred due to slow utilization of the proceeds of Loan No. 7191-PH with International Bank for Reconstruction and Development (IBRD).

We recommend that management implement the programs and projects of the JRSP strictly in accordance with timetables and to speed up the procurement of works, goods and services to avoid incurrence of commitment fees.

5. Accuracy of FF of the Lower Courts (LC) could not be ascertained because of unreconciled balances of cash and trust accounts by P78,966,784.82, continued non-preparation of bank reconciliation statements (BRS) and treasury reconciliation statements with Municipal Treasurer's and Provincial Treasurer's Offices and unreconciled general and subsidiary ledger balances of trust accounts.

Management should prepare reconciliation statements on the cash and trust accounts of the Fiduciary Fund and submit them to COA for verification purposes. Any reconciling item uncovered in the reconciliation process should be taken up in the books in orders to present the correct balances of the individual accounts. It should also maintain SLs for the Unwithdrawn FF that were still deposited with the MTO/PTO. Finally, the FMO, OCA should reconcile the SLs for each FF accounts with the GL's controlling accounts.

6. The consolidated book and bank balances of Cash in Bank, Local Currency, Current Account of the SC and LC with the exception of the JDF, Special Allowance of the Judiciary (SAJ), and JRSP showed a discrepancy of P372,672,067.39 due to non-preparation of complete monthly bank reconciliation statements as required in Section 74 of P.D. No. 1445, thus, affecting the correct valuation and fair presentation of the cash account in the financial statement.

Management should account for the discrepancy by directing the FMBO and FMO to prepare bank reconciliation statements for all bank accounts as of December 31, 2007. Record all reconciling items in the books and provide LBP with a schedule showing reconciling items that should be taken up by the bank. Prepare BRS every end of the month in accordance with Section 74 of P.D. No. 1445 and Paragraph 21.2 and 4.0 of COA Circular No. 92-125-A.

7. Cash Advances for Miscellaneous Operating Expenses of the Philippine Judicial Academy (PHILJA) amounting to 4,269,274.13 were not liquidated as of year-end.

Management should pursue the collection of Judge Agana's outstanding cash advance and to require Atty. Ballesteros to liquidate his outstanding

cash advances the soonest time. Direct all its Special Disbursing Officers to liquidate cash advances as soon as the purpose for which these were granted have been served and to stop the practice of granting cash advances until the previous cash advances are liquidated in accordance with Section 89 of P. D. No. 1445 and Sections 4.1.3 and 5.8 of COA Circular No. 97-002 dated February 10, 1997.

8. Cash advances for local and foreign travels of court personnel amounting to P1,818,806.23 remained unliquidated as of year-end.

We recommend that management direct all personnel concerned to liquidate their outstanding cash advances as soon as the travels have been completed, otherwise management should suspend the payment of their salaries until they comply with the directive.

9. Cash shortages and salary overpayments to personnel of LC totaling P18,518,612.19, out of which the amount of P15,522,963.61 were not settled for more than six years.

Management should require the Court Administrator to deduct the overpayments from salaries of employees and to recover the cash shortages of COCs the soonest possible time.

10. Property, Plant and Equipment (PPE) book balances of the SC and the LC of P1,130,788,553.49 were of doubtful reliability and accuracy due to non-reconciliation of the accounting and property records resulting in a discrepancy of P872,171,401.92.

We recommend that management take serious effort to account for the discrepancy by reconciling the property and accounting records, segregate the inventory per PPE account and per fund and record adjustments, when necessary.

11. The PPE account as of December 31, 2007 was overstated by P40,546,646.04 because furniture and fixtures that were due for disposal were not reclassified to other assets account which may lead to erroneous computation of depreciation.

We recommend that management transfer the value of assets that are awaiting final disposition to Other Assets account pursuant to the NGAS provision and recognize depreciation based on the correct PPE valuation.

12. The LC remitted to GSIS the amounts withheld from its employees who had either resigned, retired, transferred and those employees with insufficient leave credits resulting in a negative balance of Due to GSIS account in the amount of P82,326,661.20.

We recommend that management fast track the reconciliation of records with the GSIS and when the overpayment is determined, demand from the GSIS the refund of the amount. Present the correct balances of the affected accounts in the financial statements by recording in the books the amounts due from the employees concerned. Send demand letters to concerned personnel for collection of their accountabilities. If no payment is made, deduct their accountabilities from any amount that would be due them. Update the personnel records and delete from the payroll the names of employees who are either retired, resigned, transferred to other government offices and those without leave credits.

13. The Internal Audit Services otherwise named as the Internal Audit Division (IAD) and Financial Services Division (FSD) perform functions which are inconsistent with the Administrative Order (AO) No. 278 dated April 28, 1992 and AO No. 70 dated April 14, 2003.

We recommend that the management examine and evaluate the present organizational and staffing activities of FSD and the IAD in strict adherence with the provisions of law as stated in Administrative Order No. 278.

14. Audit revealed that disallowances issued by COA in the total amount P687,475.33 remained unsettled

We recommend that management require all personnel concerned to settle their disallowances and take appropriate action over previous court officials who are no longer members of the Judiciary to settle their disallowances immediately.

Judiciary Development Fund

15. The book and bank balances of Cash in Bank – Local Currency, Savings Account showed a difference of P219,251,733.96 as of December 31, 2007, thus, affecting the correct valuation and fair presentation of the account in the financial statement.

We recommend that management record all adjusting entries to bring into agreement the book and bank balances and enforce the timely preparation of the BRS on all depository accounts in accordance with Section 74 of PD 1445.

16. Book and bank balances of Cash in Bank - Local Currency, Current Account was not reconciled resulting in a difference of P14,840,517.55 and affecting the correct valuation and fair presentation of the account in the financial statement.

Management should ensure the reconciliation of depository accounts by a prompt preparation of the BRS in compliance with Section 74 of PD 1445 and Paragraph 2.1.2 and 4.0 of COA Circular No. 92-125-A in order to present fairly the account in the financial statement.

17. Cash Advances for financial assistance to Local Government Units (LGU) were not liquidated as required by COA Circular No. 94-013, Memorandum of Agreement (MOA) between the SC and the LGUs and Section 30, of the Manual on the NGAS, Vol. III, resulting in the overstatement of the balance of the Inter -Agency Receivables, Due from LGUs in the financial statements and the understatement of corresponding expense accounts.

We recommend that management require the LGUs concerned to promptly submit liquidation/disbursement reports approved by its City/Municipal Mayors and duly verified by the COA Auditor in accordance with COA Circular No. 94-013, MOA between the SC and the LGUs and Section 30 of the Manual on the NGAS, Vol. III; and, for SC to record immediately the liquidation in the books.

18. The balance of Accountable Forms Inventory account as of December 31, 2007 was overstated by P4,104,000.00 representing the cost of official receipts that were already issued to the collecting officers of the Lower Courts but were not credited to the account.

We recommend that management credit the Accountable Forms Inventory account only upon receipt of the RSMI from the OCA Property Officer for ORs issued to the Lower Courts and for the OCA Property Officer to submit the RSMI regularly as basis in recording the issuances of inventories in accordance with Sec. 43 of the Manual on NGAS, Vol. I. Furthermore, we recommend that management instruct the Property Officers to conduct a physical inventory annually and submit the required RPCI in accordance with Section 490 of GAAM, Vol. I and Appendix 62 of NGAS, Vol. II.

19. The existence of the Office Supplies Inventory and Other Supplies Inventory accounts amounting to P2,810.00 and P1,788,463.60, respectively, could not be established and no property records could be found to vouch the accuracy of the book balances.

We recommend that management investigate discrepancies, reconcile the property and book balances and make adjustments when fully supported with documents.

Cash Examination of Accountable Officers

20. Cash shortages of four Accountable Officers were uncovered in the total amount of P1,005,588.54.

We recommend that management direct the AOs to reconstitute the missing funds immediately; relieve them from their duties and responsibilities while the cases are still evaluated; and file cases against them, where appropriate. More importantly, cashiering functions should not be the responsibility of COCs. Instead, the Court should appoint regular cash officers who should undergo training therefore. This will enable the COCs to focus on the main functions of assisting the administration of Justice.

F. *Implementation of Prior Year's Recommendations*

Out of the seventeen (17) audit recommendations embodied in the 2006 Annual Audit Report, three (3) were fully implemented, eight (8) were partially implemented and six (6) were not implemented.

**ANNUAL AUDIT REPORT
ON THE
SUPREME COURT OF THE PHILIPPINES**

For the Year Ended December 31, 2008



MAY 31 2010

ROMMEL

3:50 P.M.

May 28, 2010

The Honorable Chief Justice
Supreme Court of the Philippines
Manila

Sir:

OFFICE OF THE STATE AUDITOR
Supreme Court of the Phils.
Manila

RECEIVED

Date: MAY 31 2010

Time: 3:50 P.M.

By: Rommel

We are pleased to transmit the Auditor's Annual Audit Report on the Supreme Court of the Philippines for calendar year 2008, in compliance with Section 43 of Presidential Decree No. 1445.

The attached report consists of the Audit Certificate; the Audited Financial Statements; the Observations and Recommendations which were discussed with concerned Management officials and staff; and the Status of Implementation of Prior Year's Audit Recommendations.

We request a status report on the actions taken on the audit recommendations within sixty (60) days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act of 2008 (RA 9498).

We express our appreciation for the valuable support and cooperation extended by the officials and staff of that Agency.

Very truly yours,

REYNALDO A. VILLAR
Chairman

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 2008	CY 2007	Increase/ (Decrease)
	(In Philippine Peso)		
A. Financial Condition			
Assets	10,059,777,288.72	9,175,291,469.50	884,485,819.22
Liabilities	5,932,707,897.48	5,003,487,309.11	929,220,588.37
Government Equity	4,127,069,391.24	4,171,804,160.39	(44,734,769.15)
B. Sources and Application of Funds			
Allotment	10,139,972,000.00	9,750,254,384.87	389,717,615.13
Obligations	9,812,048,000.00	9,120,424,380.58	691,623,619.42
Unexpended Balance	327,924,000.00	629,830,004.29	(301,906,004.29)

C. *Scope of Audit*

The audit was focused on the Court's accounts and financial operations for CY 2008. 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.

D. Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Supreme Court as of December 31, 2008 for reasons stated therein.

E. Observations and Recommendations

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

1. The SC accomplishments were highlighted by its landmark rulings on significant cases like:
 - a. Alleged wiretapped conversation of President Gloria Macapagal Arroyo and COMELEC Commissioner Garcillano;
 - b. Enforcement of Manila City Ordinance No.8027 for the removal of oil terminals from Pandacan, Manila by oil companies;
 - c. Alleged bribery, corruption and overpricing on the ZTE-NBN Project;
 - d. Public disclosure of the full contents and offers made by both the Philippines and Japanese governments during the JPEPA Negotiation;
 - e. Memorandum of Agreement on Ancestral Domain Aspect of the Government of the Republic of the Philippines and Moro Islamic Liberation Front; and
 - f. Clean-up restoration and preservation of the water quality of Manila Bay.
2. It also promulgated, among others, the rule on the Writ of Habeas Data and several notable administrative issuances on the following:
 - a. Formal establishment of Philippine Mediation Center Office and its Mediation Center Units;
 - b. Designation of 117 environmental courts as Judiciary's concern for the protection and preservation of our environment;
 - c. Amendments of the 2004 Rules of Notarial Practice;
 - d. Issuance of 2008 Rules of Procedures on Corporate Rehabilitation.
3. Trust receipts and other collections in the amount of P4.839 billion and interest earned on Fiduciary Fund (FF) deposits and forfeited/confiscated bonds totaling P74.643 million were not remitted to the Bureau of Treasury (BTr) as required under Executive Order No. 338 dated May 17, 1996, Sections 7 and 8 of the General Provisions of the General Appropriation Act for FY 2008 and COA-DOF-DBM Joint Circular 1-97 dated January 2, 1997, and Section 44 of Book VI, E.O.. 292, series of 1987, consequently depriving the government of the use thereof.

We recommend that management deposit the total amount of P4.839 billion and all subsequent collections for trust and other receipts and remit *fully* all interest earned on the FF deposits and forfeited/confiscated bonds for CY 2008 totaling P74.6 million to the BTr in conformity with the above-mentioned laws and regulations to enable the government to maximize the use of the funds.

4. The balance of the Performance/Bidders/Bail Bonds Payable account (Fiduciary Fund) of the Lower Courts (LC) in the amount of P5.526 billion did not agree with the total cash on hand, in bank and on deposit with the LGUs totaling P5.453 billion or a difference of P73.690 million. Moreover, Cash, Due from LGU and Performance/Bidders/Bail Bonds Payable accounts per General Ledger (GL) do not tally with the corresponding Subsidiary Ledger (SL) balances.

We recommend that management require the Financial Management Office (FMO) to prepare the bank reconciliation statements (BRS) and the Municipal/Provincial Treasurers' Office (MTO/PTO) reconciliation statements. Reconcile the FF's cash and receivable accounts with the trust account and the SLs with the GL's controlling accounts for each FF account, and take up the appropriate reconciling items in the books of accounts.

5. The year-end balances of the Cash in Bank-Local Currency, Current Account of the General Fund, Judiciary Development Fund, and Special Allowance of the Judiciary and of the Cash in Bank-Local Currency, Savings Account did not reconcile with the bank records, showing differences of P138.293 million and P449.687 million, respectively, due to continued non-preparation of BRS and non-recording of reconciling items in the books.

We recommend that management monitor and ensure the attainment of the time-table/schedule of the preparation of the BRS on all depository accounts to ensure its timely submission in accordance with Section 74 of PD 1445. Investigate and trace the possible causes of the discrepancies, and make adjustments, when necessary. Determine and cancel stale checks that are still accounted as outstanding checks. Record all reconciling items in the book of accounts and provide the LBP with schedule of reconciling items that should be taken up by the bank.

6. An examination of the cash and accounts of 658 out of 1,248 Accountable Officers (AOs) of the SC and the LC or 52.72% disclosed cash shortages totaling P539,438.47 of three AOs, and other deficiencies.

We recommend that management require the accountable officers to restitute the missing funds, relieve them from their duties and responsibilities while the cases are still evaluated and finally, institute appropriate administrative and/or criminal charges against them, if evidence warrants, pursuant to applicable laws of the revised Penal Code and Civil Service rules

and regulations. In the case of the accountable officer who immediately restituted the cash shortage, the Auditors recommended that the Court take appropriate action as warranted in the circumstances taking into consideration the explanation required from the COC on why the shortage occurred.

7. The balance of Cash-Collecting Officers account per subsidiary ledger did not agree with the cashbook balance, showing a difference of P33.909 million, due to the failure of management to conduct a periodic reconciliation of both records.

We recommend that management ensure and enforce the reconciliation of both the accounting and the collecting officers' records on a quarterly basis and to make appropriate adjustments both in the books and in the Collecting Officers books/cashbooks if necessary in order to present the correct balance of the account.

8. Out of the balance of the Due from Officers and Employees of P26.699 million, the amount of P4.402 million represents cash advances for travel and special purpose which remained unliquidated as of year-end in violation of Section 16 of E.O. No. 248 dated May 29, 1995 and Sections 3.1.2.1 and 3.2.2.1 of COA Circular No. 96-004 dated April 19, 1996.

We recommend that management direct the officials and employees concerned to liquidate their outstanding cash advances immediately, otherwise, suspension of the payment of their salaries will be effected until they comply with the directive. Require resigned employees to settle their cash advances immediately, otherwise appropriate legal action should be instituted against them to recover unliquidated advances.

9. The balance of the Due from LGUs account was misstated by P967,719.14 representing unrecorded liquidation reports totaling P759,883.93 and unrecorded disallowance of P207,835.21. Moreover, fund utilization and liquidation reports were not submitted by the LGUs as required under Section 30 of the Manual on the NGAs, Volume III, COA Circular No. 94-013 and Memorandum of Agreement (MOA) between the SC and the heads of LGUs.

We recommend that management enforce the immediate submission of the long overdue liquidation/disbursement reports by LGUs which are approved and verified by the City/Municipal Mayor and the COA Auditor, respectively. Moreover, record the liquidation/disbursement reports submitted by the Municipalities of Guagua, Pampanga and Jasaan, Claveria and the COA disallowance on the liquidation report of the Municipality of Buguias in accordance with Section 53 of the Manual of the NGAS, Volume I in order to present the true balance of the account in the financial statement.

10. The existence and valuation of the Inventory account balances of P333.416 million could not be established due to management's failure to record all

purchases and issuances during the year, maintain perpetual inventory records and conduct a physical count of inventories as required under Section 490 of the Government Accounting and Auditing Manual (GAAM), Vol. I.

We recommend that management require the Accounting and Property Divisions to combine their efforts to undertake the physical inventory at least every six months of each year and to submit the Report on the Physical Count of Inventories (RPCI) immediately after; book up all procurement of inventory purchased, including accountable forms, drugs and medicine and construction inventory to the appropriate asset accounts except those that were procured out of the Petty Cash Fund; submit regularly the Report of Supplies and Materials Issued (RSMI) to support JEV preparation to record issuances; conduct periodic reconciliation of the property and accounting records to detect errors in recording and losses through theft or pilferages; and require the Accounting Division to maintain updated perpetual inventory records to ascertain the correctness of inventory balance at any given time.

11. The balance of Accountable Forms Inventory account as of December 31, 2008 was overstated by P5.532 million and the Accountable Forms expenses account was understated by the same amount due to non-recording of accountable forms issued during the year as well as recording of official receipts issued in CY 2009, thus affecting the fair presentation of the account in the financial statement.

We recommend that management require the Office of the Court Administrator (OCA) Property Officer and the Chief, Check Disbursement Division to submit the RSMI and the Accounting Division to record all inventories issued in the books of accounts as prescribed under Section 43 of the Manual of the New Government Accounting System (NGAS), Vol. 1 and Sec. 62 of the Manual of the NGAS, Vol. II to present the true balance of the account and its corresponding expense account in the financial statements.

12. A difference in the amount of P945.075 million between the accounting records and physical count of the Property, Plant and Equipment (PPE) accounts (excluding Land, Land Improvements, Other Office Buildings and Other Structures) has remained uncorrected resulting from non-reconciliation of the two records and non-updating of the PPE Ledger and Property Cards.

We recommend that the Property and/or Accounting Divisions trace and investigate the causes of the discrepancy and make appropriate adjustments in either record; and renew the Acknowledgement Receipt for Equipment (ARE) every three years.

13. Unserviceable properties totaling to P21.874 million were not reclassified to Other Assets account as required under Section 4 (p) of the Manual on NGAS, Vol. I, thus, overstating the PPE account and understating the Other Assets account as of the year-end.

We recommend that the Property Division prepare and submit periodically the Inventory and Inspection Report of Unserviceable Property for assets awaiting final disposition and no longer used/serviceable assets to the Accounting Division for proper reclassification to Other Assets account and dropping from the books of accounts

14. The Due to GSIS, PAG-IBIG and Other GOCCs had negative balances totaling P(77,716,251.49) as of December 31, 2008, thus affecting the accuracy and reliability of the accounts in the financial statements.

We recommend that management resume the reconciliation of records with the GSIS and when the cause/s for the negative balance is/are determined, correct the records and demand refund/recovery from the GSIS (if any) and from the concerned personnel for their accountabilities. Record the amount due from the employees concerned to present the correct balance of the account Due to GSIS account. Exert effort to reconstruct the beginning balance of the Due to PAG-IBIG account. Fast track the reconciliation of the liability set-up/deducted from the salaries and the remittances made to Home Development Mutual Fund (HDMF) and effect adjustments/corrections, if any, to show the correct balance of Due to PAG-IBIG account. Further, we recommend that management continue the verification process in order to recover the overpayment made and to present the correct balance of the Due to Other GOCCs account in the financial statement

15. The Court incurred an overpayment of expense allowance for lecturers, resource persons, coordinators and facilitators who are incumbent Court officials and employees in the total amount of P378,659.38 for the year 2008 due to the non-implementation of the provisions of DBM Budget Circular No. 2007-1 dated April 23, 2007.

We recommend that management require all concerned officials and employees to refund the overpayment of expense allowances and to pay the corresponding taxes and we further recommend that management should adhere strictly to the provisions of DBM Budget Circular No. 2007 - 1 dated April 23, 2007.

16. Management failed to furnish the COA copies of contracts for infrastructure projects totaling P38.119 million within the prescribed period as required in COA Circular Nos. 76-034 dated July 15, 1976 and 96-0101 dated August 15, 1996.

We recommend that management immediately submit the required documents for the infrastructure contracts and for subsequent contracts, management should submit them with the supporting documents to the COA

within 5 days from date of perfection in compliance with COA Circular Nos. 76-34 and 87-278.

17. The government paid a commitment fee amounting to ₱1,509,043.62 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 low utilization rate of the loan.

We recommend that management fully implement the reforms and measures instituted by the Court to fast-track the procurement of works, goods and services and finally, to stop the incurrence of commitment fees.

18. Interest income and gains on foreign exchange amounting to P15,506.39 and P295,882.25 respectively, on deposit accounts funded by the SC-Institutional Development Fund (SC-IDF) Grant were not recorded in the books resulting to the understatement of Cash in Bank account balance and the related income accounts as of the year-end.

We recommend that interest income be recorded in the books immediately after it is reflected in the bank statement or passbook and gains or loss on foreign exchange should be recognized in the books at the end of each year.

19. Cash advances of P349,800.00 under the accountability of Judge Priscilla Agana remained unliquidated for more than 3 years since her retirement from the service contrary to Section 89 of P.D. 1445 and COA Circular No. 97-002 dated February 10, 1997.


We recommend that management require Judge Agana to return/settle the balance of cash advance immediately in accordance with Section 89 of P.D. 1445 and COA Circular No. 97-002, otherwise all retirement benefits due her will be applied to her outstanding obligations. We further recommend the account reclassification of the outstanding cash advance from Cash-Disbursing Officer to Advances to Officers and Employees.

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.

F. Implementation of Prior Year's Recommendation

Out of the eighteen (18) audit recommendations embodied in the 2007 Annual Audit report, one was fully implemented, ten were partially implemented and seven were not implemented, thus reiterated in this report.

CERTIFIED TRUE COPY


EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court



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Annex "C"

OFFICE OF THE AUDITOR
Supreme Court of the Philippines
Taft Avenue, Manila

SUPREME COURT OF THE PHILIPPINES
Judicial Reform Support Project
WB Loan No. 7191- PH

AUDITOR'S OPINION ON SPECIAL PURPOSE FINANCIAL STATEMENTS

The Honorable Chief Justice
Supreme Court of the Philippines
Manila

We have audited the accompanying balance sheet of the World Bank Loan for the Judicial Reform Support Project as of December 31, 2004 and the related statement of income and expenses, statement of cash flows, summary of sources and uses of funds, statement of special account, statement of grant withdrawals under special account and the statement of expenditures for the year then ended. These statements are the responsibility of the Auditee's management. Our responsibility is to express an opinion on the accompanying statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audits provide a reasonable basis for our opinion.

The Auditee's policy is to prepare the accompanying statements in accordance with generally accepted accounting standards and the requirements of the Loan Agreement executed on October 2, 2003.

In our opinion, the special purpose financial statements identified in the first paragraph present fairly, in all materials respects, the cash balances of the World Bank Loan for the Judicial Reform Support Project as of December 31, 2004 and of the funds received and disbursed during the period from January 1 to December 31, 2004, and present fairly, in

all material respects, the balance of the Special Account as of December 31, 2004 in conformity with generally accepted accounting standards. The loan withdrawals were also adequately reconciled to the Statement of Expenditures (SOE) prepared by the Auditee's management during the period under review and the SOE were adequately supported. The SOE was also verified to be eligible under the loan agreement.

This report is intended for the information of the Auditee and the World Bank.

CE
CECILIA E. CAGA-ANAN
Supervising Auditor
June 20, 2005



Republic of the Philippines
Supreme Court
Manila

OFFICE OF THE STATE AUDITOR
Supreme Court of the Phils.
Manila

RECEIVED

Date: 4/1/05

Time: 4:25

By: Summe

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, 2004 and the related Statement of Income and Expenses and Cash Flow for the year then ended for the Judicial Reform Support Project-World Bank Loan No. 7191. 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 M. ORDONEZ
Chief, Fiscal Management and Budget Office

RECOMMENDING APPROVAL:

LUZVIMINDA D. PUNO
Clerk of Court

APPROVED:

HILARIO G. DAVIDE, JR.
Chief Justice

NOTES TO FINANCIAL STATEMENTS
World Bank – Judicial Reform Support Project
Loan No. 7191-PH and GOP Counterpart Funds

I. GENERAL

Note 1 : Basis of Reporting

Background

A. Description of Project

The objective of the Project is to assist the Supreme Court in developing a more effective and accessible Judiciary that would foster public trust and confidence, through the implementation of its Action Program for Judicial Reform (APJR).

The project consists of the following components:

Component A: Improving Case Adjudication and Access to Justice

This component is intended to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.

Component B: Enhancing Institutional Integrity

This component is intended to result in the judiciary adopting a comprehensive and synchronized approach to strengthening the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.

Component C: Strengthening the Institutional Capacity of the Judiciary

This component would strengthen the institutional capacity of the Supreme Court to manage the whole Judiciary by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.

Component D: Support for the Reform of the Judicial System and Program Management Office

This component will assist in developing support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities. It will also provide assistance to the Program Management Office in facilitating and coordinating the implementation of the APJR and the Project

B. Project Life and Closing Date

The project will run for six years, with loan effectivity on 04 December 2003 and closing date on 31 December 2009.

Note 2 : Significant Accounting Policies**Withdrawal of Loan Proceeds**

The amount of the Working Fund (Loan Proceeds) is being credited to the Foreign Currency Savings Account opened by the Court in its books in the name of the Recipient (SC-JRSP World Bank Loan), and withdrawn therefrom by the Recipient in accordance with the provisions of Schedule 1 of the Loan Agreement, for expenditures in respect of the reasonable cost of services required for the Activities and to be financed out of the proceeds of the Loan.

Transactions in foreign currencies were recorded in Philippine Peso based on the BSP rate of exchange prevailing at the date of transaction. At the end of the year, these were revalued using the rate of exchange at Balance Sheet date. Foreign currency denominated monetary assets and liabilities at balance sheet date were restated based on BSP exchange rate on that date.

II. BALANCE SHEET**Note 3 : Cash and Other Cash Accounts**

Cash accounts as of December 31, 2004 broken down as follows:

Foreign Currency Savings Account	
US\$98,752.37 @ 55.793	PHP 5,509,690.98
Peso Current Account (Net of outstanding check amounting to PHP8,592,995.74)	29,456.88
	<hr/>
	PHP 5,539,147.86
	<hr/>

Note 4 : Property, Plant and Equipment

IT Equipment and Software amounting to P3,842,372.23 were broken down as follows: (a) dtsearch Engine License and Software for the E-library Project - P566,093.47, and (b) Various IT and Information Communication Technology (ICT) Equipments in the amount of P3,276,278.76 (PO#04-10-001653 - Advance Solutions, Inc.).

Motor Vehicle refers to one (1) mobile court bus purchased for the Justice on Wheels Project in the amount of P5,923,000.00 (PO#04-11-001757 - PILHINO Sales Corp.) Other Machineries and Equipments refers to various appliances/equipments for mobile court bus. (PO#04-11-001786 - Ambassador Appliances, Inc.).

Note 5 : Current Liabilities

Accounts Payable of P34,755.00 represents net amount payable to Ambassador Appliances, Inc. for Machineries and Equipments purchased for the mobile court bus less the corresponding taxes withheld.

Due to BIR of P457,013.09 represents taxes withheld from suppliers for remittance to the Bureau of Treasury using GOP Counterpart funds, while the Due to Other Funds of P30,000.00 represents the required maintaining balance of the Peso Current Account disbursed from the Fiscal Autonomy Fund. This amount will be transferred back to the later account upon completion of the project.

III. STATEMENT OF INCOME AND EXPENSES**Note 6 : Subsidy Income from National Government**

For this year, total NCA received from the Department of Budget and Management for operational requirements amounted to P49,946,718.96 broken down as follows:

Working Fund (Loan Proceeds)	P 37,833,230.27
GOP Counterpart Funds*	12,040,715.00
GOP Counterpart Funds (TRA)	72,773.69
Total	P 49,946,718.96

*Out of the NCA released for GOP Counterpart Funds, the total amount disbursed amounts to P6,286,007.43, resulting to Unused NCA of P5,754,707.57.

Note 5 : Income and Expenses

Income and expenses recorded in the books of accounts amounted to P44,242,916.19 (Net Subsidy Income from the National Government plus Net Interest Income earned) and P29,423,754.19 (total operating expenses) respectively.



OFFICE OF THE AUDITOR
Supreme Court of the Philippines
Taft Avenue, Manila

SUPREME COURT OF THE PHILIPPINES
Judicial Reform Support Project
WB Loan No. 7191-PH

AUDITOR'S OPINION ON SPECIAL PURPOSE STATEMENTS

The Honorable Chief Justice
Supreme Court of the Philippines
Manila

We have audited the accompanying Balance Sheet of the Judicial Reform Support Project as of December 31, 2005 and the related Statement of Sources and Uses of Funds for the year then ended. These financial statements are the responsibility of the Auditee's management. Our responsibility is to express an opinion thereon based on our audit.

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

In our opinion, the financial statements referred to above present fairly the financial condition of the project as of December 31, 2005 and the results of its operations and expenditures for the year then ended including the Special Account as of December 31, 2005 in accordance with generally accepted accounting principles in the Philippines and, that the Statement of Expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

CECILIA E. CAGA-ANAN
Supervising Auditor
June 28, 2006

I. GENERAL

Note 1 : Basis of Reporting

Background

A. Description of Project

The objective of the Project is to assist the Supreme Court in developing a more effective and accessible Judiciary that would foster public trust and confidence, through the implementation of its Action Program for Judicial Reform (APJR).

The project consists of the following components:

Component A: Improving Case Adjudication and Access to Justice

This component is intended to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.

Component B: Enhancing Institutional Integrity

This component is intended to result in the judiciary adopting a comprehensive and synchronized approach to strengthening the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.

Component C: Strengthening the Institutional Capacity of the Judiciary

This component would strengthen the institutional capacity of the Supreme Court to manage the whole Judiciary by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.

Component D: Support for the Reform of the Judicial System and Program Management Office

This component will assist in developing support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities. It will also provide assistance to the Program Management Office in facilitating and coordinating the implementation of the APJR and the Project.

B. Project Life and Closing Date

The project will run for six years, with loan effectivity on 04 December 2003 and closing date on 31 December 2009.

Note 2 : Significant Accounting Policies**Withdrawal of Loan Proceeds**

The amount of the Working Fund (Loan Proceeds) is being credited to the Foreign Currency Savings Account opened by the Court in its books in the name of the Recipient (SC-JRSP World Bank Loan), and withdrawn therefrom by the Recipient in accordance with the provisions of Schedule 1 of the Loan Agreement, for expenditures in respect of the reasonable cost of services required for the Activities and to be financed out of the proceeds of the Loan.

Transactions in foreign currencies were recorded in Philippine Peso based on the BSP rate of exchange prevailing at the date of transaction. At the end of the year, these were revalued using the rate of exchange at Balance Sheet date. Foreign currency denominated monetary assets and liabilities at balance sheet date were restated based on BSP exchange rate on that date.

II. BALANCE SHEET

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Note 3 : Cash and Other Cash Accounts

Included in the Cash accounts as of December 31, 2005 are the following deposits:

Foreign Currency Savings Account	
US\$232,199.05 @ 52.668	PHP12,229,459.57
Peso Current Account	1,800,091.40
Sub-total	PHP14,029,550.97
Less: Outstanding check	6,908,168.86
Total	PHP 7,121,382.11

Note 4 : Property, Plant and Equipment

IT Equipment and Software (P21,141,761.90) consisted of 2004 purchase of dtsearch Engine License and Software for use in the E-library (P566,093.47) and Information Technology Equipments (P3,276,278.76) distributed to different SC offices. Additional purchase of Information Technology Equipments for the year 2005 amounted to P17,299,389.67.

Purchase of office Equipments and other Machineries and Equipment for the year amounted to P1,188,277.00.

Motor Vehicles consisted of one (1) mobile court bus for the Justice on Wheels Project purchased in 2004.

Depreciation, using the straight line method, is computed based on a five year useful life and a ten percent (10%) salvage value.

Note 5 : Current Liabilities

Due to BIR (P679,230.93) represents taxes withheld from suppliers for remittance to the Bureau of Treasury using GOP Counterpart funds, while the Due to Other Funds (P30,000.00) account represents the maintaining balance of the Peso Current Account disbursed from the Fiscal Autonomy Fund. This amount will be transferred back to the later account upon completion of the project. Other payables (P50.00) is an understatement of check paid to TCGI Engineers, Inc., the amount will be settled on the next payment of bills from the contractor.



OFFICE OF THE AUDITOR
Supreme Court of the Philippines
Taft Avenue, Manila

SUPREME COURT OF THE PHILIPPINES
Judicial Reform Support Project
WB Loan No. 7191- PH

Auditor's Opinion on Financial Statements

The Honorable Chief Justice
Supreme Court of the Philippines
Manila

We have audited the accompanying Balance Sheet of the World Bank Loan for the Judicial Reform Support Project as of December 31, 2006 and the related Statement of Income and Expenses and Statement of Sources and Uses of Funds for the year then ended. These financial statements are the responsibility of the Judicial Reform. Our responsibility is to express an opinion thereon based on our audit.

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

As discussed in our Audit Observation Memorandum, several supporting documents for infrastructure and consulting services contracts in the total amount of ₱286,819,123.08 were not submitted to us. Thus, we were not able to conduct a technical evaluation of the contracts and also, the inspection and validation of progress accomplishments of the projects.

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements referred to above, present fairly the financial condition of the project as of December 31, 2006 and the results of its operations and expenditures for the year then ended including the Special Account as of December 31, 2006 in accordance with generally accepted accounting principles in the

Philippines and, that the Statement of Expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

C. E. S.
CECILIA E. CAGA-ANAN
Supervising Auditor

September 28, 2007

Supreme Court of the Philippines
Judicial Reform Support Project (JRSP)
Loan Number 7191-PH

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2006

I. GENERAL

Note 1: Basis of Reporting

A. Description of Project

The objective of the Project is to assist the Supreme Court in developing a more effective and accessible Judiciary that would foster public trust and confidence, through the implementation of its Action Program for Judicial Reform (APJR).

The project consists of the following components:

Component A: Improving Case Adjudication and Access to Justice

This component is intended to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.

Component B: Enhancing Institutional Integrity

This component is intended to result in the judiciary adopting a comprehensive and synchronized approach to strengthening the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.

Component C: Strengthening the Institutional Capacity of the Judiciary

This component would strengthen the institutional capacity of the Supreme Court to manage the whole Judiciary by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.

Component D: Support for the Reform of the Judicial System and Program Management Office

This component will assist in developing support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities. It will also provide assistance to the Program Management Office in facilitating and coordinating the implementation of the APJR and the Project.

B. Project Life and Closing Date

The project is being implemented for six (6) years, with loan effectivity date on 04 December 2003 and closing date on 31 December 2009.

Note 2 : Significant Accounting Policies

Withdrawal of Loan Proceeds

The amount of Working Fund (Loan Proceeds) is being credited to the Foreign Currency Savings Account opened by the Court in its books in the name of the Recipient (SC-JRSP World Bank Loan); and withdrawn therefrom by the Recipient in accordance with the provisions of Schedule 1 of the Loan Agreement, for expenditures in respect of the reasonable cost of services required for activities and to be financed out of the proceeds of the Loan.

Transactions in foreign currencies were recorded in Philippine Peso based on the BSP rate of exchange prevailing at the transaction. At the end of the year, these were revalued using the rate exchange at the Balance Sheet date. Foreign currency denominated monetary assets and liabilities at the Balance Sheet date were restated based on BSP exchange rate on that date.

II BALANCE SHEET

Note 3 : Cash

a. Account 111

The amount of P559,900.00 as Cash - Disbursing Officer are balances of cash advances of Ms. Araceli Bayuga as of December 31, 2006. Of this amount P211,408.00 has been liquidated under CDJ 2007-03 in the amount of P147,018.91 and a refund of P64,381.09 under Official Receipt No. 421297 dated December 27, 2006.

Note 4 : Receivable

a. Account 123

The amount of P859,082.12 outstanding as of December 31, 2006 are cash advances granted to officers and employees on various foreign travels. Partial liquidation of P446,461.30 was made under CDJ 2007-03.

b. Account 149

Other Receivable pertains to payment made to Asian Institute of Management for the globalization lecture series with the Chief Justice in the amount of P150,000.00. This also includes contribution made to the Philippine Judges Association in the amount of P50,000.00 whose adjustments were made under JEV No. 07-01-01.

c. Account 181

Advances to Contractors represents 15% mobilization cost of China State Construction Engineering Corporation for the construction/renovation of Lapu-lapu City Hall of Justice in the amount of P12,322,202.40. However, due to unavailability of Notice of Non-Cash Availment Authority (NCAA) 15% mobilization for the construction/renovation of Angeles City Hall of Justice in the amount of 21,636,180.00 in the form of Direct Payment under WA No. 43 dated November 3, 2006 was not recorded. This mobilization cost will be reduced in the form of recoupment in succeeding progress billing.

Note 4 : Property Plant and Equipment

a. Account 223

Information Technology Equipment do not also include payment to One Opsis, Inc. for the delivery of structured cabling and component for the Judiciary Data Center and ICT Infrastructure Development paid through Direct Payment under Withdrawal Application Nos. 41 dated November 3, 2006 and Withdrawal Application No. 45 dated December 15, 2006 in the total amount of P44,270,443.57. This will be recorded in the books upon receipt of the NCAA,

b. Account 264

Construction in Progress also do not include payment to China State Construction Engineering Corporation paid through Direct Payment under Withdrawal Application Nos. 42 and 44 representing progress billing No. 2 and 3 for the construction/renovation of Lapu-lapu City Hall of Justice and will be recorded in the books upon receipt of the NCAA.

Note 5 : Payables

a. Account 424

Due to Other Funds represents the booking of NCA No. 2006-9006765 dated November 20, 2006 in the amount of P3,722,015.97 to the account of JRP-GOP. This has been recorded to the IDF Grant Fund Account under JEV 07-02-02.

b. Account 426

Guaranty Deposits payable is the 10% retention from the first progress billing of China State Constructions Engineering Corporation in its faithful performance for the renovation/construction of Lapu-lapu City Hall of Justice.



SUPREME COURT OF THE PHILIPPINES
Judicial Reform Support Project
WB Loan No. 7191- PH

Auditor's Opinion on Financial Statements

The Honorable Chief Justice
Supreme Court of the Philippines
Manila

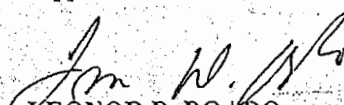
We have audited the accompanying Balance Sheet of the World Bank Loan for the Judicial Reform Support Project as of December 31, 2007 and the related Statement of Income and Expenses and Statement of Sources and Uses of Funds for the year then ended. These financial statements are the responsibility of the Auditee. Our responsibility is to express an opinion thereon based on our audit.

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

As discussed in our Audit Observation Memorandum, several supporting documents for contracts on infrastructure, consultancy services and procurement of works and goods were not submitted to us on time. Thus, technical evaluation of the contracts were not conducted as well as inspection and validation of the project accomplishments due to non-availability of Program Management Office personnel to assist us thereon.

In our opinion, except for the effects of the matter referred to in the preceding paragraph, which is still subject of evaluation of this Office, the financial statements referred to above present fairly the financial condition of the project as of December 31, 2007 and the results of its operations and expenditures for the year then ended including the Special Account as of December 31, 2007 in accordance with generally accepted

accounting principles in the Philippines and, that the Statement of Expenditures submitted during such fiscal year, together with the procedures and internal controls involved in the preparation, can be relied upon to support the related withdrawals.


LEONOR D. BOADO
Director IV

October 10, 2008

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2007

I. GENERAL

Note 1: Basis of Reporting

A. Description of Project

The objective of the Project is to assist the Supreme Court in developing a more effective and accessible Judiciary that would foster public trust and confidence, through the implementation of its Action Program for Judicial Reform (APJR).

The project consists of the following components:

Component A: Improving Case Adjudication and Access to Justice

This component is intended to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.

Component B: Enhancing Institutional Integrity

This component is intended to result in the judiciary adopting a comprehensive and synchronized approach to strengthening the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.

Component C: Strengthening the Institutional Capacity of the Judiciary

This component would strengthen the institutional capacity of the Supreme Court to manage the whole Judiciary by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.

Component D: Support for the Reform of the Judicial System and Program Management Office

This component will assist in developing support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities. It will also provide assistance to the Program Management Office in facilitating and coordinating the implementation of the APJR and the Project.

The project is being implemented for six (6) years, with loan effectivity date on 04 December 2003 and closing date on 31 December 2009

Note 2 : Significant Accounting Policies

Withdrawal of Loan Proceeds

The amount of Working Fund (Loan Proceeds) is being credited to the Foreign Currency Savings Account opened by the Court in its books in the name of the Recipient (SC-JRSP World Bank Loan), and withdrawn therefrom by the Recipient in accordance with the provisions of Schedule 1 of the Loan Agreement, for expenditures in respect of the reasonable cost of services required for activities and to be financed out of the proceeds of the Loan.

Transactions in foreign currencies were recorded in Philippine Peso based on the BSP rate of exchange prevailing at the transaction. At the end of the year, these were revalued using the rate exchange at the Balance sheet date. Foreign currency denominated monetary assets and liabilities at the Balance Sheet date were restated based on BSP exchange rate on that date

II BALANCE SHEET

Note 3 : Cash

a. Account 111

The amount of **P33,157,611.81** of the Cash in Bank Current Account can be accounted as follows:

L. P. US Dollar Savings Account No. 0594-0065-50 (\$803,059.73 @ 41.197)	P33,083,651.70
L. P. Peso Account No. 3472-1001-80	1,151,869.72
	<hr/>
	P34,235,521.42
Less: Outstanding Checks	1,077,909.61
	<hr/>
	P33,157,611.81
	<hr/>

Note 4 : Receivable

a. Account 149

Other Receivable represents payment made to AIM (Asian Institute of Management) in the amount of P150,000.00 under check No. 75014 dated March 17, 2006. This will be adjusted to prior year's adjustment considering that this is training expense for the globalization lecture series of the Chief Justice.

b. Account 181

Advances to Contractors represents mobilization cost of China State Construction Engineering Corporation and TCGI Engineers for the construction/renovation and project management and supervision respectively of Lapu-lapu City and Angeles City Halls of Justice. Some amounts are recouped in the direct payments by the World Bank but not recorded in the books due to un-availability of Notice of Non-Cash Availment Authority (NCAA).

If these amounts are considered, the correct balance could be P10,386,719.25
itemized as follows:

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I. Balance reported as of December 31, 2007

P22,363,138.86

II Less: Unrecorded Recoupment

Reference.	Date	Billing No.	Angeles HOJ	Lapu-lapu HOJ	Amount
Ck. No 24871	2.27.07	5		5,011,028.96	5,011,028.96
Ck. No 24870	2.27.07	1	1,391,684.34		1,391,684.34
WA 59	9.06.07	11		852,970.23	852,970.23
WA 59	9.06.07	7	2,334,055.04		2,334,055.04
WA 62	10.22.07	13		520,178.65	520,178.65
WA 62	10.22.07	8	944,278.16		944,278.16
WA 63	11.15.07	9	922,224.23		922,224.23
			5,592,241.77	6,384,177.84	11,976,419.61

III. Balance

P10,386,719.25

Note 4 : Property Plant and Equipment

a. Account 264

Construction in Progress also do not include direct payments made to China State Construction Engineering Corporation for the construction/renovation of Lapu-lapu City and Angeles Halls of Justice. If these are also considered, the correct amount could be P134,722,485.66 accounted as follows:

I. Balance reported as of December 31, 2007

P111,114,172.31

II. Add: Unrecorded Items

WA No.	Date	Billing No.	Angeles HOJ	Lapu-lapu HOJ	Amount
59	9.06.07	7	416,141.25		416,141.25
59	9.06.07	11		3,696,204.33	3,696,204.33
59	9.06.07	12		2,570,087.45	2,570,087.45
62	10.22.07	8	4,091,872.11		4,091,872.11
62	10.22.07	13		3,381,161.25	3,381,161.25
63	11.15.07	9	3,996,304.99		3,996,304.99
65	12.11.07	14		2,430,459.85	2,430,459.85
67	12.26.07	10	3,026,082.12		3,026,082.12
			11,530,400.47	12,077,912.80	23,608,313.35

Total

P134,722,485.66

Note 5 : Payables

a. Account 403

Due to Officers and employees represents payment of expense allowance to various SC employees as resource person in the Code of Conduct chargeable against the cash advance granted to Ms. Araceli Bayuga under check No. 24738 dated November 28, 2006 in the amount of P397,500.00. This will be settled after the receipt of accomplished payroll.

b. Account 412

Due to BIR are taxes withheld from suppliers, contractors and consultants in the amount of P2,072,424.46. As a matter of policy the balance should be remitted not later than 10 days after the end of December.

c. Account 426

Guaranty Deposits payable are retention money imposed to contractors or suppliers in their faithful performance. The 10% retention are deducted from the progress billings of China State Constructions Engineering Corporation and CLC Marketing Ventures Corporation for the renovation/construction of Lapu-lapu City and Angeles City Halls of Justice and for the supply, delivery and installation of furniture and fixtures of Lapu-lapu City HOJ respectively. The amount withheld as retention will be released to them after the Supreme Court could issue Certificate of Final Acceptance for goods delivered and works rendered.

d. Account 439

Other Payables consists of understatement of first billing consultancy fee of TCGI Engineers under check No. 715173 dated 2005 in the amount of P50.00 and to Ateneo de Manila for registration of Geraldine Dimacula under check No. 1830 dated February 20, 2006 in the amount of P0.40.



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And

OFFICE OF THE AUDITOR
Supreme Court of the Philippines
Taft Avenue, Manila

Judicial Reform Support Project
WB Loan No. 7191- PH

Auditor's Opinion on Financial Statements

The Honorable Chief Justice
Supreme Court of the Philippines
Manila

We have audited the accompanying Balance Sheet of the World Bank Loan for the Judicial Reform Support Project as of December 31, 2008 and the related Statement of Income and Expenses and Statement of Sources and Uses of Funds for the year then ended. These financial statements are the responsibility of the Auditee's Management. Our responsibility is to express an opinion thereon based on our audit.

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

In our opinion, the financial statements referred to above, present fairly the financial condition of the project as of December 31, 2008 and the results of its operations and expenditures for the year then ended including the Special Account as of December 31, 2008 in accordance with generally accepted accounting principles in the Philippines and, that the Statement of Expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

CEC
CECILIA E. CAGA-ANAN
Supervising Auditor

EXECUTIVE SUMMARY

Introduction

1. The Supreme Court of the Philippines entered into a Loan Agreement (No. 7191-PH) with the World Bank in the amount of USD 21.9 million with the objective of assisting the Supreme Court in developing a more effective and accessible Judiciary that would foster public trust and confidences, through the implementation of its Action Program for Judicial Reforms (APJR).
2. The Project consists of the following components:
 - a. Improving case adjudication and access to justice. This component is intended to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.
 - b. Enhancing institutional integrity. This component is intended to result in the judiciary adopting a comprehensive and synchronized approach to strengthening the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.
 - c. Strengthening the institutional capacity of the Judiciary. This component would strengthen the institutional capacity of the Supreme Court to manage the whole Judiciary by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.
 - d. Support for the reform of the judicial system and Program Management Office. This component will assist in developing support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities. It will also provide assistance to the Program Management Office in facilitating and coordinating the implementation of the APJR.
3. The project is being implemented for six years, effective December 4, 2003 and closing date on December 31, 2009. However, with the recent approval of the project's extension for another 18 months until 30 June 2011, the JRSP's implementation period

Summary of Observations and Recommendations

8. The government paid the amount of ₦1,320,124.97 due to commitment fees incurred for the unwithdrawn principal amount of the loan.

9. We recommend that management should immediately resolve the implementation issues that arose during the year and to fully implement the reforms and measures instituted by the Court to fast-track the procurement of works, goods and services and finally, to stop the incurrence of commitment fees.

Status of Implementation of Prior Year's Recommendation

10. The audit recommendation for CY 2007 to adopt measures to avoid the incurrence of commitment fees was fully implemented by Management, however, the audit recommendation for CY 2008 to fully implement the reforms and measures to fast-track the procurement of works, goods and services was only partially implemented.

Supreme Court of the Philippines
Judicial Reform Support Project (JRSP)
Loan Number 7191-PH

NOTES TO FINANCIAL STATEMENTS
As of December 31, 2008

I. GENERAL

Note 1: Basis of Reporting

A. Description of Project

The objective of the Project is to assist the Supreme Court in developing a more effective and accessible Judiciary that would foster public trust and confidence, through the implementation of its Action Program for Judicial Reform (APJR).

The project consists of the following components:

Component A: Improving Case Adjudication and Access to Justice

This component is intended to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.

Component B: Enhancing Institutional Integrity

This component is intended to result in the judiciary adopting a comprehensive and synchronized approach to strengthening the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.

Component C: Strengthening the Institutional Capacity of the Judiciary

This component would strengthen the institutional capacity of the Supreme Court to manage the whole Judiciary by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.

Component D: Support for the Reform of the Judicial System and Program Management Office

This component will assist in developing support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities. It will also provide assistance to the Program Management Office in facilitating and coordinating the implementation of the APJR and the Project.

B. Project Life and Closing Date

The project is being implemented for six (6) years, with loan effectivity date on 04 December 2003 and closing date on 31 December 2009

Note 2 : Significant Accounting Policies

Withdrawal of Loan Proceeds

The amount of Working Fund (Loan Proceeds) is being credited to the Foreign Currency Savings Account opened by the Court in its books in the name of the Recipient (SC-JRSP World Bank Loan), and withdrawn therefrom by the Recipient in accordance with the provisions of Schedule 1 of the Loan-Agreement, for expenditures in respect of the reasonable cost of services required for activities and to be financed out of the proceeds of the Loan.

Transactions in foreign currencies were recorded in Philippine Peso based on the BSP rate of exchange prevailing at the transaction. At the end of the year, these were revalued using the rate of exchange at the Balance Sheet date. Foreign currency denominated monetary assets and liabilities at the Balance Sheet date were restated based on BSP exchange rate on that date.

II BALANCE SHEET

Note 3 : Cash

a. Account 103 - Cash Disbursing Officer

The balance of P348,500.00 as of December 31, 2008 represents cash advance granted to Ms. Araceli Bayuga during the Orientation Seminar on Code of Conduct under Check No. 24738 dated Nov. 28, 2006 with liquidation in process. The negative balance of Ms. Norberte pertains to the liquidation erroneously credited to WB-JRSP fund instead of JRP-ΓA. This was adjusted in the books in the third quarter of 2009.

Bayuga, Araceli C.	P 348,500.00
Norberte, Cleofe R.	(200,000.00)

Total	P 148,500.00
	=====

b. Account 111 - Cash in Bank

The amount of P15,358,240.25 of the Cash in Bank Current Account is accounted as follows:

L. P. US Dollar Savings Account No. 0594-0065-50	P15,240,088.50
(\$325,066.41 @ 46.883)	
L. P. Peso Account No. 3472-1001-80	211,602.11

	P15,451,690.61
Less: Outstanding Checks	93,450.36

	P15,358,240.25
	=====

Note 4 : Receivable**a. Account 148 – Due from Officers and Employees**

This account represents advances granted to Supreme Court employees in the implementation of JRSP activities. All cash advances were liquidated in 2009.

NAMES	AMOUNT	DATE LIQUIDATED
Hosillos, Miçaela J.	P 1,600.00	January 2009
Lim, Reuben	4,240.00	March 2009
Ordanza-Abutal, Butch	1,680.00	January 2009
Ballesteros, David	323,124.56	January 2009
Alabastro, Evangeline	(2,084.40)	Adjusted January 2009
Ballesteros, David	60,507.68	January 2009
TOTAL	P 389,067.84	

b. Account 149 – Other Receivables

Other Receivable represents payment made to AIM (Asian Institute of Management) in the amount of P150,000.00 under check No. 75014 dated March 17, 2006. This will be reclassified to prior years' adjustment as this was training expense in 2006 for the Globalization Lecture Series of the Chief Justice.

Note 5 : Inventories**a. Account 155 – Office Supplies Inventory**

The account represents inventory of white board office supplies. This account will be adjusted in the third quarter of 2009.

b. Account 156 – Accountable Forms Inventory

The account represents official receipts in the customized e-payment system. This account will be adjusted in the third quarter of 2009.

Note 6 : Other Current Assets**a. Account 181 – Advances to Contractors**

The account represents mobilization costs paid to China State Construction Engineering Corporation and TCGI Engineers for the construction/renovation and project management and supervision of Lapu-lapu City and Angeles City Halls of Justice respectively.

China State Construction Engineering Corp	P 9,713,883.65
Mactan Electric Company Inc.	936,000.00
TCGI Engineers	105,091.73
Total	P 10,754,975.38

b. Account 186 – Guaranty Deposits

This represents the balance of guaranty deposit on diesel fuel for the Justice on Wheels from Pertobest Service Center. The unused portion of guaranty deposit amounted to P31,492.25 has been refunded under Official Receipt No. 18186741 dated January 5, 2009 and was recorded in the books on January 31, 2009.

Note 7 : Account 264 - Construction in Progress

This account represents the cost of works and other related expenditures in the construction/renovation of Lapu-lapu City and Angeles City Hall of Justice.

Note 8 : Purchase of Property, Plant and Equipment

Increase in Property, Plant & Equipment account during the year is accounted from cash and direct purchases initially booked as Asset and credited to Accounts Payable. Application of direct payments/accounts payable were recorded in 2009 upon receipt of NCAA.

Note 9 : Payables

a. Account 401 – Accounts Payable

This account represents completed transactions and activities of 2008 but remained unpaid as of December 31, 2008. Out of P24,526,736.81, the amount of P22,251,865.76 or 91% of the outstanding balance was paid after the subsequent release/issuance of Notice of Cash Allocation (NCA) & Non-cash Availment Authority (NCAA) during the first quarter of 2009.

b. Account 403 – Due to Officers and Employees

This account represents expense allowance of the lecturers for the Orientations on New Code of Conduct for Court Employees. Payments were held in abeyance pending issuance of a Court Resolution on the payment of expense allowance.

c. Account 426 – Guaranty Deposits Payable

Guaranty Deposits Payable are retention money to guarantee performance which are refundable to the depositor. The 10% retention was deducted from the progress billings of China State Constructions Engineering Corporation for the renovation/construction of Lapu-lapu City and Angeles City Halls of Justice.

III. STATEMENT OF CASH FLOW

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Note 10 : Interest Income

Interest Income of 2008 is composed of:

a. First Quarter.			P72,211.64
US\$ Account (\$1,672.69 @ 41.446) =	P69,326.31		
Peso Account =	2,885.33		
		P72,211.64	
b. Second Quarter.			58,859.46
US\$ Account (1,310.38 @ 44.389) =	P58,166.46		
Peso Account =	693.00		
		58,859.46	
c. Third Quarter.			54,829.09
US\$ Account (1,134.48 @ 47.819) =	P54,249.70		
Peso Account =	579.39		
		P54,829.09	
d. Fourth Quarter.			40,833.79
US\$ Account (850.11 @ 46.883) =	P39,855.71		
Peso Account =	978.09		
		P40,833.79	
Total			P226,733.98

Note 11 : Deposit of Collection with Authorized Government Depository Bank

The amount of P176,615.96 inadvertently deposited to Account # 3472-1002-70 (FA) instead of 3472-1001-80 (JRSP).

Note 12 : Subsidy Income from the National Government

This account includes receipts of the following

Account 651-003 – Notice of Cash Allocation (NCA)	P13,706,000.00
Account 651-004 – Tax Remittance Advice (TRA)	4,679,770.28
Account 651-007 – Non-Cash Availment Authority (NCAA)	62,835,561.21
Unutilized Notice of Cash Allocation	(8,294,069.03)
Total	P 72,927,262.46

Note 13 : Payment of Professional Services

This represents fees for professional services rendered in the renovation/construction of Lapu-lapu City & Angeles City Halls of Justice.

Supreme Court of the Philippines
Judicial Reform Support Project (JRSP)
Loan Number 7191-PH

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2009

I. GENERAL

Note 1: Basis of Reporting

A. Description of Project

The Judicial Reform Support Project or JRSP was undertaken by the Supreme Court with assistance from the World Bank (WB) to support selected policy and institutional reforms together with associated infrastructure improvements which were set out in the Action Program for Judicial Reform (APJR).

The Project consists of the following components:

Component A: Improving Case Adjudication and Access to Justice

This component intends to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.

Component B: Enhancing Institutional Integrity

Component B seeks to adopt a comprehensive and synchronized approach to strengthen the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.

Component C: Strengthening the Institutional Capacity of the Judiciary

The institutional capacity of the Supreme Court to manage the entire Judiciary is envisioned by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.

Component D: Support for the Reform of the Judicial System and Program Management Office

The need to develop support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities are the objectives of this component. It will also provide assistance to the SC Program Management Office in facilitating and coordinating the implementation of the APJR and the Project.

B. The Project Life and Closing Date

The project is being implemented for six (6) years, with loan effectivity date on 04 December 2003 and closing date on 31 December 2009

→ However, with the recent approval of the project's extension for another 18 months until 30 June 2011, the JRSP's Implementation period has been stretched seven and one half (7 ½) years, from the Loan's effectivity date of 04 December 2003.

Note 2 : Significant Accounting Policies

Withdrawal of Loan Proceeds

The amount of Working Fund (Loan Proceeds) is being credited to the Foreign Currency Savings Account opened by the Court in its books in the name of the Recipient (SC-JRSP World Bank Loan), and withdrawn therefrom by the Recipient in accordance with the provisions of Schedule 1 of the Loan Agreement, for expenditures in respect of the reasonable cost of services required for activities and to finance out of the proceeds of the Loan.

Transactions in foreign currencies were recorded in Philippine Peso based on the BSP rate of exchange prevailing at the transaction period. At the end of the year, these were revalued using the rate exchange at the Balance sheet date. Foreign currency denominated monetary assets and liabilities at the Balance Sheet date were restated based on BSP exchange rate on that date

II. BALANCE SHEET

Note 3 : Cash

a. Account 103 - Cash Disbursing Officer

The balance of P348,500.00 represents cash advance granted to Ms Araceli Bayuga during the Orientation Seminar on Code of Conduct under Check No. 24738 dated Nov. 28, 2006. Said cash advance was liquidated in June 2010.

b. Account 111 - Cash in Bank

The amount of P 5,025,474.43 of the Cash in Bank Current Account can be accounted as follows:

L. P. US Dollar Savings Account No. 0594-0065-50	P4,780,386.39
(\$103,181.23 @ 46.33)	
L. P. Peso Account No. 3472-1001-80	246,145.07
	<hr/>
	P 5,026,531.46
Less: Outstanding Checks	1,057.03
	<hr/>
	P5,025,474.43
	<hr/>

Note 4 : Receivable

a. Account 144

This account represents various refunds on cash advances of JRSP erroneously deposited to FA Account:

Name	OR No.	Date	Amount
Hon. Angelina Gutierrez	6027653	1.05.07	P6,039.12
Melanie Toledano	1077686	7.27.08	240.00
Mae Mendoza	1077687	7.27.08	170.00

			P6,449.12
			=====

The amount of P6,449.12 has been correctly deposited to JRSP on January 10, 2010.

b. Account 148

This account represents advances granted to Supreme Court employees in the implementation JRSP activities.

The amount of P502,709.57 can be accounted as follows:

1. Teresita Leonardo- de Castro (Liquidated 2/28/10)	P247,553.60
2. Joyce Abancio (Liquidated 6/3/10)	253,955.97
3. Annabelle Tumbaga Fundales	240.00
4. Don, Segmundo Balneg	240.00
5. Mark Anthony Onal	720.00

	P502,709.57

However, cash Advances of Fundales, Balneg and Onal were already settled through refunds but erroneously deposited to FA Account. The amount of P1,200.00 has been correctly deposited January 12, 2010.

(1,200.00)

The correct balance should be:

P 501,509.57

=====

Note 5 : Other Current Assets**a. Account 181**

The amount P13,960,717.19 represents Advances to various Contractors as mobilization fee while undertaking projects with the Judicial Reform Support Project.

This consists of the following:

China State Construction Engineering Corp. (Construction/renovation of Angeles city HOJ)	P13,024,717.18
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)	(.01)
	<u>P13,960,717.17</u>
	=====

Note 6 : Account 264 - Construction in Progress

This account represents the cost of works and other related expenditures in the construction/renovation of Lapu-lapu City and Angeles City Halls of Justice. There has been no movement in the account due to the termination of contract between China State Engineering and Construction Corporation and the Supreme Court on the construction and renovation of the Angeles City Hall of Justice, pursuant to the resolution of the Court dated September 29, 2009 in A.M. No. 06-8-08-SC.

Note 7 : Property Plant and Equipment

Increase in Property, Plant and Equipment account during the year is accounted from cash and direct purchases and booked as asset.

Note 8 : Payables**a. Account 401**

This account represents completed transactions and activities of 2009 but remained unpaid as of December 31, 2009.

b. Account 403

The balance of 270.00 represents excess of liquidation of David Ballesteros under check No. 86372 dtd. 2.01.08. The amount liquidated is P41,710.00 inclusive of refund.

Reported in the RCI	P41,710.00
Check prepared	41,470.00
	<u>P 270.00</u>
	=====

D. Ballesteros has been refunded under check No. 86818 dated 2.16.10.

c. Account 424

Due to Other Fund is composed of amount temporarily borrowed from Fiscal Autonomy Funds as maintaining balance of JRSP account and refund of cash advance of Evangeline Alabastro under FA check No. 857676 dated March 5, 2008 and Official Receipt No. 18186735 dated March 19, 2008 but erroneously deposited to JRSP accounts.

The amount of P2,084.40 has been transferred to Fiscal Autonomy Funds on February 18, 2010 while the remaining balance of P30,000.00 will be transferred back to FA account after completion of JRSP Project.

d. Account 426

Guaranty Deposits Payable are retention money to guarantee performance which are refundable to the depositor. The 10% retention was deducted from the progress billings of China State Constructions Engineering Corporation for the renovation/construction of Lapu-lapu City and Angeles City Halls of Justice and furnishing of Angeles City HOJ.

The P19,821,415.57 retention is composed of the following:

China State Construction Engineering Corp. (Construction/ renovation of Lapulpau City HOJ)	P9,074,104.71
China State Construction Engineering Corp. (Construction/ renovation of Angeles City HOJ)	7,343,653.79
Modulplus System Corp. (Furnishing of Angeles City HOJ)	3,403,657.07

P19,821,415.57
=====

e. Account 439

Other Payables involves understatement of checks paid to TCGI Engineers and Ateneo de Manila University broken down as follows:

	Amount of DV	Amount of Check	Difference
1. TCGI Engineers DV 10151231807 Ck 715173 dated 12.28.05	P587,579.23	P587,529.23	P50.00
2. Ateneo de Manila DV 101060204223 Ck 001831 dated	35,890.40	35,890.00	.40
			<u>P50.40</u> =====

III STATEMENT OF CASH FLOW

Note 9 : Interest Income

Interest Income of 2009 is composed of:

a. First Quarter.			
US\$ Account (\$451.24 @ 47.72)	=	P21,533.17	
Peso Account	=	810.65	
			P 22,343.82
b. Second Quarter.			
US\$ Account (199.21 @ 47.98)	=	P9,558.10	
Peso Account	=	578.22	
			P10,136.32
c. Third Quarter.			
US\$ Account (80.65 @ 47.59)	=	P3,838.13	
Peso Account	=	494.21	
			P4,332.34
d. Fourth Quarter.			
US\$ Account (71.51 @ 46.33)	=	P3,313.06	
Peso Account	=	866.34	
			P4,179.40
Total			P40,991.88

Note 10 : Deposit of Collection with Authorized Government
Depository BankThese are credit advises representing transfer of funds to JRSP
account 3472-1001-80 (JRSP):

JEV 2009-06-017048	P1,400.00
JEV 2009-07-019557	116,446.00
JEV 2009-11-037143	270,051.09
Total	P387,897.09

Note 11 : Subsidy Income from the National Government

This account includes receipts of the following

Account 651-003 – Notice of Cash Allocation (NCA)	P24,732,161.85
Account 651-004 – Tax Remittance Advice (TRA)	11,274,401.86
Account 651-007 – Non-Cash Availment Authority (NCAA)	62,889,368.96
Unutilized Notice of Cash Allocation	(21,547,978.63)

Total **P 77,347,954.04**

Note 12 : Payment of Professional Services

This represents fees for professional services rendered in the renovation/construction of Lapu-lapu City and Angeles city Halls of Justice.

Note 13 : Direct Payments

The following direct payments were not taken up in the books due to non-availability of Non- Cash Availment Authority (NCAA)

No.	date	Payee	Amount
WA- 112	9.17.09	Indra Sistemas S.A	P8,582,641.64
WA -113	10.23.09	Indra Sistemas S.A	2,488,927.57
WA - 115	10.30.09	Indra Sistemas S.A	4,235,944.36
WA - 117	12.04.09	Indra Sistemas S.A	1,667,011.89

Total **P16,974,525.46**



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

ANNUAL AUDIT REPORT

on the

**SUPREME COURT OF THE
PHILIPPINES
Judicial Reform Support Project
World Bank Loan No. 7191-PH**

For the Year Ended December 31, 2010

EXECUTIVE SUMMARY

Introduction

1. The Supreme Court of the Philippines entered into a Loan Agreement (No. 7191-PH) with the World Bank in the amount of USD 21.9 million with the objective of assisting the Supreme Court in developing a more effective and accessible Judiciary that would foster public trust and confidences, through the implementation of its Action Program for Judicial Reforms (APJR).
2. The Project consists of the following components:
 - a. Improving case adjudication and access to justice. This component is intended to improve court efficiency through modern case management techniques, planning and tools. It also aims to formulate alternative mechanisms and to test mobile courts to address affordability constraints and to improve access to justice by the poor and disadvantaged.
 - b. Enhancing institutional integrity. This component is intended to result in the judiciary adopting a comprehensive and synchronized approach to strengthening the integrity infrastructure of the judicial system. This approach involves gender-sensitive institutional and procedural reforms, civil society education and information, and private sector and inter-agency collaboration.
 - c. Strengthening the institutional capacity of the Judiciary. This component would strengthen the institutional capacity of the Supreme Court to manage the whole Judiciary by setting up a decentralized operational structure and making the investments necessary to upgrade the management and technology systems and physical facilities that are essential to the Judiciary's ability to carry out its services.
 - d. Support for the reform of the judicial system and Program Management Office. This component will assist in developing support for the reform process, ensure that judges and other stakeholders are able to participate in the development of modernization ideas and implement key reform activities. It will also provide assistance to the Program Management Office in facilitating and coordinating the implementation of the APJR.
3. The project is being implemented for six years, effective December 4, 2003 and closing date on December 31, 2009. However, with the recent approval of the project's extension for another 18 months until 30 June 2011, the JRSP's

implementation period has been extended seven and one-half (7 ½) years from the Loan's effective date of 04 December 2003.

4. The COA-SC Audit team composed of Atty. Lourdes B. Lim, Supervising Auditor; Ms. Narcisa Reyes, Audit Team Leader and Ms. Eden Patano, Team Member, conducted an annual audit of the accounts and operations of the Project.

Financial Highlights

5. Presented below are the financial highlights for CY 2010.

(In millions of PhP)

Particulars	2010	2009	% Inc./Dec.
Subsidy Income (Net)			
Notice of Cash Allocation	19.63	14.46	36%
Non-Cash Availment Authority	36.24	62.89	(42%)
Operational Income	55.54	77.36	(28%)
Expenses (inclusive of Depreciation)	70.84	63.48	(12%)
Excess of Income over Expenses	(15.30)	13.88	(210.23%)
Assets	341.92	357.60	(4%)
Liabilities	36.25	36.19	0.17%
Equity	305.67	321.41	(5%)
Allotment			
GOP		1.81	(100%)
Loan Proceeds		35.51	(100%)

Scope of Audit

6. The audit covered the operations for the calendar year 2010. The audit objectives were to ascertain whether financial statements present fairly the financial position and results of operations for the year then ended and to determine compliance with existing laws, rules and regulations.

Audit Opinion in Financial Statements

7. The Auditor rendered a qualified opinion on the fairness of presentation of the Project's financial statements as stated in the attached Audit Certificate.

Summary of Observations and Recommendations

8. The slow/low availment/utilization rate of the loan for the Judicial Reform Support Project (JRSP) resulted in the payment of commitment fees totaling to P 1,079,393.31 for CY 2010 for the unwithdrawn principal amount of the IBRD loan

by the government. The government paid accumulated commitment fees of US\$314,083.03 or P15,860,265.76 for the year 2004 – 2010.

We recommend management to 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. Improve project monitoring and construction supervision to hasten the project completion and to address the delays or any problem in Project implementation immediately. Management is also advice for future loan agreement to fast track the implementation of activities as scheduled in order to minimize incurrence of commitment fees/ any other losses.

9. The existence of discrepancy of P40,893,091.88 in reporting the balances of the PPE accounts between the actual physical count per Inventory Report submitted for CY 2010 and the accounting records in the Property, Plant & Equipment (PPE) account as December 31, 2010 casts doubt on the reliability and accuracy of the account and contrary to Section 12 of the Manual on the New Government Accounting System (NGAS), Vol. II.

We recommend Management to (a) exert more extra effort to trace and investigate the causes of the discrepancy and make adjustments, when necessary. Ensure that actual reconciliation of accounting and property records be undertaken to present correct balances of the PPE accounts in the financial statements; (b) Require the Property Division to (i) 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; (ii) exclude from the Inventory Report those assets with more than one year serviceable life but small enough to be considered as PPE, as provided under COA Circular 2005-002 and transfer/include them in list of item covered by Inventory Custodian Slip (ICS); (iii) update its PC for each type of PPE as required under Section 43, paragraph 4 of the same Manual, Vol. I to facilitate reconciliation of records; (iv) prepare and submit the prescribed RPCPPE properly classified by type in accordance with Section 66 (as instructed in Appendix 63) of the Manual on NGAS, Vol. II.

10. 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 a 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. 2004-08 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.

11. The repairs and maintenance expenses of the motor vehicles of the project totaling to P157,139.00 were not recognized in the books of accounts of the JRSP during the year; resulted in the understatement of the said expense account for the year ended December 31, 2010 that affects the fair presentation of the financial statement.

We recommend management to require the accountant to recognize in the JRSP fund the related repairs and maintenance expense charged against the SC-General Fund totaling to P157,139.00 for fair presentation of the said account in the financial statements.

Status of Implementation of Prior Year's Recommendation

12. The audit recommendation for CY 2009 to 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 finally, to stop the incurrence of commitment fees was partially implemented.

For the Year Ended December 31, 2011

**SUPREME COURT OF THE
PHILIPPINES
Judicial Reform Support Project
World Bank Loan No. 7191-PH**

on the

ANNUAL AUDIT REPORT

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



EXECUTIVE SUMMARY

A. Introduction

A Loan Agreement (No. 7191-PH) was entered into by the Government of the Philippines with the World Bank to finance the Judicial Reform Support Project (JRSP) in the amount of USD 21.9 million, which took effect on December 4, 2003, with the objective of assisting the Supreme Court of the Philippines in developing a more effective and accessible Judiciary that would foster public trust and confidences, through the implementation of its Action Program for Judicial Reforms (APJR). The Project aims to improve the delivery of judicial services and the administration of justice in the country. It seeks to improve case adjudication efficiency and access to justice, enhance the integrity of the Judiciary and strengthen the capacity of the Supreme Court to manage the Judiciary.

The original closing date (December 31, 2009) was first extended for 18 months until 30 June 2011 and then by 12 months to June 30, 2012. The JRSP's implementation period has been extended eight and one half (8 ½) years from the Loan's effective date of 04 December 2003.

On July 1, 2011, the amount of US\$500,000.00 was cancelled from the loan amount in order to focus on support on priority 'wrap-up' activities to facilitate achievement of the Project development objective, strengthen and sustain project results and impact, and ensure compliance with social and environmental safeguards.

The Project's four components consists of (a) improving case adjudication and access to justice; (b) enhancing institutional integrity; (c) strengthening the institutional capacity of the judiciary; and (d) support for the reform of the judicial system and Program Management Office.

The COA-SC Audit team composed of Atty. Lourdes B. Lim, Supervising Auditor; Ms. Narcisa Reyes, Audit Team Leader and Ms. Eden Patano, Team Member, conducted an annual audit of the accounts and operations of the Project.

B. Financial/ Operational Highlights

Presented below are the comparative financial highlights for CY 2011.

(In millions of PhP)

Particulars	2011	2010	% Inc./Dec.
Income	138.26	55.88	1.49%
Expenses (inclusive of Depreciation)	154.83	71.18	1.18%
Excess of Income over Expenses	(16.58)	(15.30)	1.08%

Particulars	2011	2010	% Inc./Dec.
Assets	343.39	341.92	4.29%
Liabilities	86.00	36.25	1.37%
Equity	257.38	305.67	(15.80%)

Presented in Annex A is its accomplishment report during the year.

C. Scope of Audit

The audit covered the accounts and operations for the calendar year 2011.

D. Audit Opinion in Financial Statements

An adverse opinion was rendered on the fairness of presentation of the Project's financial statements in view of the following accounting errors and deficiencies, shown in the Analysis on the Effects of the Misstatement on the Financial Statements marked as Annex B and summarized below together with recommendations:

Accounting • Cost of completed Hall of Justice (HOJ) in the amount of P98,315,060.89 was not transferred to Office Building account; while cost of on-going major renovation/ rehabilitation of PHILJA Training Center and another HOJ in the total amount of P104,286,669.17 were erroneously recorded as Repairs and Maintenance – Office Building resulting in the net understatement of the Construction in Progress - Agency Asset account by P5,971,608.28. (Observation No. 6)

We recommended that Management (a) require the Accounting Division to analyze and monitor the Construction in Progress - Agency Assets account and make the corresponding necessary reclassification of all completed infrastructure projects supported with certificate of completion and other pertinent documents; and (b) require the Chief Accountant to properly reclassify the Repairs and Maintenance – Office Building expense account to Construction in Progress – Agency Assets account for fair presentation of the said accounts in the financial statements.

Asset • There is difficulty in ascertaining the accuracy of the PPE, excluding Construction in Progress – Agency Assets account, with net book value of P108,024,125.00, as the submitted Inventory Report only shows a list of unclassified PPE; hence, comparison between the balances per books and the report cannot be obtained. Moreover, provision for depreciation on depreciable assets was inadequate, contrary to Section 4 of the Manual on the New Government Accounting System (NGAS), Vol. I. (Observation No. 5)

We recommended that Management (a) complete the conduct of physical count of all PPE funded by World Bank and submit report thereon with the items properly classified by type, in accordance with Section 66 of the Manual on NGAS, Vol. II; (b) require the Accounting and Property Division to continuously exert extra effort to review, analyze and expedite the reconciliation of their records and prepare the appropriate adjustments when necessary; and (c) require the Chief Accountant to properly compute the provision for depreciation, prepare a correct schedule of depreciation on all depreciable assets and make the necessary adjustments in the books to come up with a more reliable and accurate valuation at year-end.

E. Other Observations and Recommendations

The other audit observations noted are as follows:

1. Procurement of IT equipment in CY 2011 totaling ₱3,850,257.87 was not included in the JRSP Implementation Procurement Plan contrary to the agreement between the Supreme Court and the World Bank. Purchases of IT Equipment were done mostly through shopping instead of competitive public bidding. Moreover, lack of standardized technical specifications on the various procurements of laptops and notebooks resulted in significant variation in prices.

We recommended that management (a) require PMO to (i) stop the practice of using the loan proceeds without prior approval/no objection letter from the World Bank or which are not agreed upon in writing between the SCP and World Bank; (ii) return the total amount equivalent to the procured IT equipment and various expenses not related to project component/project development objectives; (ii) to effectively plan their procurement needs and (b) require PMO and the BAC-APJR to adhere to the World Bank's procurement guidelines taking into consideration open competitive bidding and procurement by bulk to save on cost.

2. Various expenses amounting to ₱3,038,812.17 incurred were not related to the project/program objectives and not agreed upon in writing with the World Bank. Further, the honoraria totaling to ₱50,400.00 of resource speakers was charged against the Loan Proceeds, contrary to the Section 2 (c) of the Loan Agreement.

We recommended that Management (a) stop the practice of using the loan proceeds without the prior approval/no objection letter from the World Bank or which are not agreed upon in writing between the SCP and World Bank; (b) return to the Loan Proceed the total amount expended for various expenses and honoraria and furnish the Supervising Auditor, SCP, a certified listings of refunds made; (c) require the Accountant to properly charge the unrelated JRSP expenditures to the savings of the Court's general fund; and (d) submit/attach original copies of attendance sheets of actual participants in various trainings, price quotations of bidders, summary of technical evaluation, BAC-APJR Resolutions on the awarding of contracts; and see to

it that original supporting documents are complete in all disbursement transactions of the loan proceeds to establish the validity of claims.

3. Out of the four contracts for tri-media monitoring services entered into by the Supreme Court and the Mediabanc Manila Monitoring Services Inc., two contracts amounting to P195,000 and P250,000 were irregular due to the absence of a signed contract to cover the undertaking. Contracts were signed two to four months after consultancy services had been rendered. Moreover, weakness in the internal control was noted as the duties/responsibilities of the end-user/requester, BAC-APJR Chair and officer authorizing the contract extensions are lodged to only one person.

We recommended that management require (a) the SC- Program Management Office (PMO) to clarify the sequence of events with regard to dates the contracts were signed and as to the Certificate of Availability of Funds and charging of funds and obtain No Objection Letter (NOL) from the WB for the contract extensions of the MediaBanc Manila Monitoring Services, Inc. with SCP; and (b) the Judicial Reform Program Administrator to ensure that no retroactive contracts are signed/awarded out of the JRSP Loan Proceed or any other funds.

We also recommended that Management develop measures for consideration of the SC to strengthen control particularly on the segregation of functions/duties of high officials as BAC-APJR Chair, approving/authorizing Officer of contract extensions and the officer authorizing the payments.

- also*
4. Payment of P982,960.00 to twenty contractual personnel under retroactive Contracts of Services of the Lapu-Lapu Trial Courts' were not duly supported with individual work accomplishment report to establish that services were actually rendered. (Observation No. 3)

We recommended that Management require the Assistant Regional Court Administrator for Fiscal Management and OIC, RCAO 7 to submit the original Report of Disbursement with attached paid payroll duly acknowledged by the contractual employees, individual accomplishment report vis-à-vis the individual work plan and certificate of services rendered.

- already ruled*
5. The Judicial Reform Support Project - Government of the Philippines (GOP) Counterpart Fund temporarily borrowed from the Fiscal Autonomy (FA) Fund the amount of P150,000.00 for the conduct of the Media Forum on Judiciary Coverage held on March 30, 2011 but the same was refunded twice resulting in the overstatement of traveling expenses in the same amount. (Observation No.4)

already ruled

We recommend Management to (a) return to the GOP Counterpart Fund the amount refunded twice to the Fiscal Autonomy Fund; (b) determine the temporary borrowings and refunds/returns made to set up the correct liability in the books of the GOP Counterpart Fund to facilitate the determination of the existing balance of the borrowings; and (c) henceforth, stop the practice of borrowing funds from other

funds.

The above observations and recommendations were discussed with the concerned officials of the agency. Management's comments were incorporated in this report, where appropriate

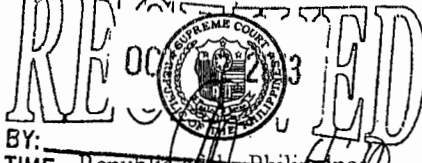
F. Status of Implementation of Prior Year's Recommendation

Out of the four audit recommendations embodied in the Prior Years' Annual Audit Report, three were fully implemented and one was partially implemented.

v

CERTIFIED TRUE COPY

EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court



BY: Republic of the Philippines
TIME: SUPREME COURT
Manila
CERTIFICATE OF CLEARANCE

Annex "D"

BY: *[Signature]*
DATE: 02-07-11
TIME: 12:00 PM

January 7, 2008

TO WHOM IT MAY CONCERN:

This is to certify that **Ms. EVELYN TOLEDO-DUMDUM**, Judicial Reform Program Administrator in the Program Management Office, is hereby cleared of all accountabilities herein enumerated insofar as this Court is concerned.

Date of Birth: 03-09-55

	Comment	Signature	Date
1. As to the purpose of clearance	RESIGNED effective February 19, 2008 (COH)	<i>[Signature]</i> EDEN T. CANDELARIA Deputy Clerk of Court and Chief Administrative Officer	01-07-08
2. As to ID card issued	w/ Affidavit of Loss	<i>[Signature]</i> FLORDELIZA S. CRUZ In-Charge	2-23-09 01-07-08
3. As to leave without pay (LWOP)	none	<i>[Signature]</i> GLORIA P. KASILAG Chief, Leave Division	1/9/08
4. As to pending Administrative case: a. For Lawyers Office of the Bar Confidant b. For All other employees (CID, OAS)		In-Charge <i>[Signature]</i> AILEEN BALBIERAN-TAW Chief, CID	JAN 10 2008
5. As to statement of Assets and Liabilities	ok	<i>[Signature]</i> AILEEN BALBIERAN-TAW Chief, Records Control Division	1-11-08
6. As to service obligation rendered in scholarships and study grants (c/o Personnel Development Committee - OAS)	ok	<i>[Signature]</i> AILEEN BALBIERAN-TAW Secretary, PDC	
7. As to property accountabilities	Please see attached paper for deduction	<i>[Signature]</i> FELICITAS D. CAUNCA Chief, Property Division	07 FEB 2011

8. As to books and periodicals	APR 2008	Invited to Lib for: MILAGROS S. ONG Chief, Library Services	APR 7 2008
9. As to travelling expenses	CLEARED	for: A.C. Encarnación ADORACION S. YULO Finance Officer	4/4/08
10. As to the following: a) Salary overpayment b) Undeducted leave of absence c) Last salary received - JAN 1-31, 2008. P25,967. - Adm. #1910 d) Last allowance received - JDF at the time of P1,700. - RATA (x of Jan 21, 2008) P12,400. CAJ at Dec 31, 2007 P25,967. - E. R.	P120,125.00 /w 10/1/13 P40,250.00 to be deducted from Terminal leave (per COA COE dtd. July 19, 2011)	ARACELIS BAYUGA Cashier	2/9/11
11. As to the following: a) Cash Advance b) Accounts Receivable c) Accounts Payable d) Bond		LILIANNE E. ULGADO Chief Accountant	2/10/11
12. As to records and other accountabilities in employee's office		EDILBERTO A. DAVIS DEPUTY ADMINISTRATOR	10/6/13
13. As to obligations in the SCSLA	4/2/08 NOT A MEMBER	POLICARPIO G. FUA SCTreasurer, SCSLA	4/4/08
14. As to obligations in the SC Multi-Purpose Cooperative Development, Inc.	4/2/08 NOT A MEMBER	For: MORA SAMUEL R. RUIZ, JR. In-Charge, Coop. Chairperson, SCEMPC	4/2/08
15. As to obligations in the SC-Motorcycle and Computer Acquisition Program (MCAP)	WITHOUT MOTORCYCLE/COMPUTER LOAN ANA M. ARCE 11/25/08 In-Charge		11-75-08
16. As to obligations in the Computer Acquisition Program (CCAP) for Justices, Judges and Lawyers		N/A In-Charge	11/27/08

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EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court

APPROVED:

MA. LUISA D. VILLARAMA
Clerk of Court

ENRIQUETA ESGUERRA-VIDAL

APPROVED:

MA. LUISA D. VILLARAMA
Clerk of Court

ENRIQUETA ESGUERRA-VIDAL
Clerk of Court

Annex "E"

APPLICATION FOR LEAVE

1. OFFICE Program Management Office		2. NAME EVELYN TOLEDO-DUMDUM	
3. DATE OF FILING 15 February 2008	POSITION Judicial Reform Program Administrator	4. SALARY (Monthly) ₱ 25,967.00	

DETAILS OF APPLICATION

5. A) TYPE OF LEAVE

• Vacation

- ☐ To seek employment
☐ Others (specify):

- Sick
• Maternity
✓ Others – Terminal Leave

6. B) WHERE LEAVE WILL BE SPENT

(1) IN CASE OF VACATION LEAVE

Within the Philippines
Abroad (Specify)

(2) IN CASE OF SICK LEAVE

☐ In Hospital (Specify)

6. C) NUMBER OF WORKING DAYS

APPLIED FOR: _____

INCLUSIVE DATES: _____

☐ Out Patient (Specify)

6. D) COMMUTATION

- ☐ Requested
☐ Not Requested

EVELYN TOLEDO-DUMDUM

Signature of Applicant

DETAILS OF ACTION ON APPLICATION

6. A) CERTIFICATION OF LEAVE CREDITS

As of _____

7. B) RECOMMENDATION

- ☐ Approval
☐ Disapproval due to

Vacation	Sick	Leave
Days	Days	Days

REYNATO S. PUNO
Chief Justice

7. C) APPROVED FOR:

_____ days with pay
_____ days without pay
_____ others (specify)

CERTIFIED TRUE COPY

EDEN T. CANDELARIA
Chief Administrative Officer

EDGAR O. ARICHETA
Clerk of Court En Banc
Supreme Court

DATE _____