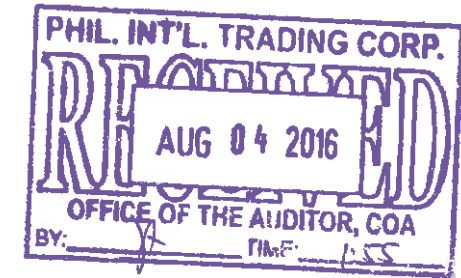


**PHILIPPINE INTERNATIONAL TRADING CORPORATION**  
**AGENCY ACTION PLAN and**  
**STATUS OF IMPLEMENTATION**  
 Audit Observations and Recommendations  
 For Calendar year 2015  
 As of July 31, 2016



Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
1	<p>PITC has not remitted to 15 client agencies the accumulated penalties totaling P23.792 million deducted from payment to suppliers for late deliveries notwithstanding the completion of the procurement projects contrary to what is stipulated in the Memorandum of Agreement (MOA). Also, the accumulated penalty was misclassified as Other Payables instead of Customers' Deposit (CD) Payable and the non-remittance and misclassification could result in the improper use of funds.</p> <p>1.1 Client government agencies transfer funds to PITC for various procurement projects that are being recorded under account CD payable. The MOA states that penalties for late deliveries, which were deducted by PITC from payment to suppliers, accrue to the account of the client agency.</p> <p>1.2 As of Dec. 31, 2015, the accumulated penalties for the late deliveries amounted to P23.792, of which P9.550 million pertain to the current period, CY2015, while P14.241 million pertains to prior years 2010 to 2014.</p> <p>1.3 Notwithstanding completion of the</p>	<p>We recommend that Management:</p> <p>a. Stop the practice of debiting the Customers' Deposit Payable at gross contract amount without deducting the penalties. For this purpose, debit the CD account for the actual amount of payment to suppliers which are net of the deducted penalty for late delivery and reflect the same in the liquidation reports; and</p> <p>b. Reclassify the accumulated liability corresponding to penalty for late delivery by suppliers to CD account and remit to respective client agencies.</p>	<p>Prepare journal entry to reclass the penalties deducted from suppliers / contractors per recommendation.</p>	Accounting Dept.	April 2016	Present	On-going	<p>Penalties deducted to supplier / contractor was reclassified to Customer deposit Account from Payable Others Account per JV# 2016-089 dated April 29, 2016.</p> <p>COA recommendation implemented</p>	
			<p>Immediate processing of payment for the remittance of late delivery and penalty to client agencies</p>	Accounting Dept. / GAG/ MAG	Feb 2016	Present	On-going	<p>Difficulty in locating the documents needed for processing especially of the prior years, e.g.</p> <p>Penalties amounting to PhP16,334,954.48 were remitted to client agencies per attached list.</p>	

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>procurement projects to which the penalties pertain, PITC has not remitted to client agencies the corresponding liability. The corporation has remitted penalties to only four agencies, namely, the PA, PAF, PMA &amp; PN while those pertaining to 15 agencies remain unremitted some of which have accumulated since CY2010.</p> <p><b>1.4 PITC, being merely the withholding agent, has no control over the funds. Accumulation of the unremitted funds could result in its improper use. It is, therefore, the responsibility of the account officers to initiate the refund/remittance thereof to avoid misuse of funds.</b></p> <p><b>1.5</b> Further, the CD Payable account was debited for payment to suppliers at the gross contract amount without deducting the penalties. The penalties were recorded/reclassified under Other Payables as a separate liability account. Since the amount of penalty accrues to the account of client agencies, these should remain under the CD account to show the actual unused amount of the fund transfer. Only the actual payment to suppliers has to be debited/deducted from the CD account.</p>						2010 & 2011 transactions.		

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
2	<p><b>Retention money amounting to no less than P38.484 million were not refunded to suppliers even after issuance of the Certificate of Acceptance and the lapse of the warranty period, contrary to Section 62 of RA 9184.</b></p> <p>2.1 The retention money are withheld from payment to supplies/contractors as warranty security to assure that defects on the delivered supplies, for procurement of goods, or damages to construction works, in cases of infrastructure projects, are corrected within the warranty period. As provided under Section 62 of RA9184, these amounts are released only after defects in deliveries of goods or damages to construction works are corrected and all conditions in the contract are complied.</p> <p>2.2 It was noted that Management kept retention money even after issuance of the Certificate of Acceptance and the lapse of the warranty period. The verified sample transactions showed that, of the total retention money amounting to P38.484 million, at least 22 percent or P8.518 million pertains to retention from payment for procurement projects with Certificate of Acceptance issued by PITC and warranty periods which have lapsed.</p> <p>2.3 Among the P8.518 million verified past due retention accounts which have not been released but with Certificates of Acceptance and expired warranty periods are accounts with material</p>	<p>We recommend that Management:</p> <p>a. Identify the other procurement projects with outstanding 10 percent retention money but with issued Certificates of Acceptance and expired warranty periods and refund/return immediately the retention money to the suppliers concerned; and</p> <p>b. Install policies for proper monitoring of retention money so that account officers shall be mainly responsible in establishing the identity of claimants and initiate the refund of retentions to respective suppliers.</p>	<p>Immediate processing of payment for the release of retention money to supplier / bidder</p> <p>Regularly gather documents needed for the processing of retention money.</p>	GAG / MAG/ Accounting Dept.	Feb 2016	Present	On-going	<p>Difficulty in locating the documents needed for processing especially of the prior years, e.g. 2008 &amp; 2009 transactions.</p>	<p>Continuous processing of payment once documents required are available and complete.</p> <p>As of July 31, 2016 total retention money returned amounts to P11,286,306.95 per attached list.</p> <p>Monthly Report for outstanding balance of retention money deducted from suppliers/contractors was provided by Accounting Dept to GAG and MAG for monitoring.</p>

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen tation	Reason for Partial/Delay/ Non-Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>balances totaling P5.240 million pertaining to six procurement projects.</p> <p>2.4 <i>Account officers, therefore , have the responsibility to monitor and initiate release of the said retention money in accordance with Section 62 of RA9184, to avoid misuse of funds.</i></p>								
3	<p>Prior years' bidders and performance bonds payable totaling P4.707 million have not been refunded to bidders and suppliers, respectively, even after the lapse of the bid validity period and the issuance of Certificate of Acceptance, contrary to Sections 27.6 and 39.5 of RA 9184.</p> <p>3.1 The liability for bidders bond and performance bonds totaling P17.992 million as of Dec 31, 2015 included the amount of P4.707 million pertaining to prior years' securities which is equivalent to 26 percent of the total payable for bidders and performance bonds.</p> <p>3.2 To date, the validity periods of the bid securities totaling P2.887 million posted by bidders in CYs 2005 to 2014 had expired, however, the bid securities still remain with PITC, contrary to Section 27.6 of RA9184 which states:</p> <p><i>"Sec. 27.6. In no case shall the bid security be returned later than the expiration of the bid validity period..."</i></p> <p>Unless the bid bonds were converted by</p>	<p>We recommend that Management:</p> <p>a. Install policies for proper monitoring of bidders and performance bonds so that account officers are mainly responsible in establishing the identity of claimants and initiate the refund to respective bidders / suppliers;</p> <p>b. Refund/return the bid securities amounting to P2.887 million unless bid bonds were converted to performance bonds on projects which have not been completed;</p> <p>c. Refund/return performance securities amounting to P1.820 million if the suppliers' obligations have been complied with and</p>	<p>Immediate processing of payment for the refund of Performance Security to supplier / bidder.</p>	<p>GAG / MAG/ Accounting Dept.</p>	<p>Feb 2016</p>	<p>Present</p>	<p>On-going</p>	<p>Awaiting return of Approved Clearance form from the client agency.</p> <p>Continuous processing of payment once documents required are available and completed.</p> <p>Monthly Report for outstanding balance of performance security posted by suppliers/ contractors was provided by Accounting Dept to GAG and MAG for monitoring.</p> <p>As of July 31, 2016 total performance security returned amounts to P6,047,865.05 per attached list.</p>	

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>winning bidders to performance bonds on projects which have not yet been completed, the bid bonds should have been returned to bidders.</p> <p>3.3 Similarly, prior years' performance bonds totaling ₱1.820 million were not released to suppliers, contrary to Section 39.5 of RA9184 which states:</p> <p><i>"Sec. 39.5. The performance security may be released by the procuring entity after issuance of the Certificate of Acceptance, subject to..."</i></p> <p>3.4 Verification of sample transactions on the performance bonds showed that almost all of the projects with outstanding prior years' performance bond have been completed. Certificates of Acceptance were issued and suppliers were paid.</p>	<p>Certificates of Acceptance have been issued; and</p> <p>d. For subsequent posting of bid and performance security, comply with the requirements of Section 27 on the return of the bid security and Section 39.5 of RA9184 on the return of the performance security and avoid the accumulation of such liabilities.</p>							
4	<p><b>Lack of documentation to validate the application of countertrade performance is not consistent with the objectives of EO No. 120, thus, proof of compliance with countertrade obligation could not be ascertained.</b></p> <p>4.1 EO 120 dated Aug 19, 1993 directs the national government and its agencies, including GOCCs, to adopt countertrade as a supplemental trade tool with respect to importation or procurement</p>	<p>We recommend that Management require proof of countertrade performance such as export sales contract or a certification from the local export entities that the export sales submitted and applied for countertrade performance resulted from sales contract entered into in connection with the</p>	<p>The Countertrade Department will require the suppliers or the countertraders (assignee of the supplier) to submit a certification that their export activities are a result of Countertrade Agreement entered into by the supplier.</p>	Countertrade Department	19 April 2016	Present	On-going	N/A	<p>The certification of export activities is required by the Countertrade Department to be submitted by the suppliers or the countertraders (assignee of the supplier) as one of the required</p>

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>of foreign goods and services, involving the payment of at least US\$1 million or its equivalent in foreign currency. The adoption of a policy on countertrade by the public sector is aimed at compensating the foreign currency expended for the importation as well as to reciprocate for such importation through arranged counter export of Philippine products to the country of the supplier or any third country, or through product buy back, offsets or investments.</p> <p>4.2 Among the documents submitted by participating bidders is a commitment to undertake countertrade. Subsequent to the supply/procurement contract of PITC with the winning bidder, PITC and supplier then execute a Countertrade Agreement wherein the suppliers performs its countertrade obligations equivalent to 50 percent of the amount of the procurement contract within a period of two years. During the year the total countertrade performance credited by PITC amounted to ₱518.592 million, of which ₱131.890 million pertained to export sales.</p> <p>4.3 Some suppliers have assigned the performance of their countertrade obligations to third parties such as our local export entities. These local assignees submitted copies of their export sales invoices to PITC whereby PITC checked the documents and facilitated the issuance of Certificates of Discharge as proof of performance of</p>	countertrade obligation.						documents for their Countertrade Performance. This will ensure that exports are generated as a result of the Countertrade.	

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen tation	Reason for Partial/Delay/ Non-Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>countertrade.</p> <p>4.4 However, there were no documents submitted to prove that the application of the export sales by the assigned export companies were results of sales contract entered into on account of the countertrade agreement and not just regular export sales of local export entities, casting doubt on the validity of the application of performance of countertrade obligations. Proofs of contract with the buyer/importer or certification from the assignee/exporter were not required. Considering that the assignees are already in the export business, they export the same products in the normal course of their business even without the countertrade contract.</p> <p>4.5 Further, even if the submitted Sales Invoices indicated dates subsequent to the date of the countertrade agreement, such sales may pertain to contracts already existing before the countertrade agreement, thus, the same are not valid performance of countertrade obligation and does not serve the objectives of EO 120.</p>								

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
5	<p>Out of the ₱1.605 million approved Gender and Development (GAD) budget for the year, only 76.62 per cent or ₱1.230million was utilized in the implementation of GAD related activities contrary to the guidelines of DBM-NEDA-Commission on Women Joint Circular No. 2012-01.</p> <p>5.1 The preparation and submission of annual GAD Plans and annual GAD Accomplishment Reports is provided in Joint Circular no. 2012-01 issued by the DBM, NEDA, and Phil Commission on Women (formerly the National Commission on the Role of Filipino Women), as well as other guidelines on GAD Planning and Budgeting issued by the appropriate oversight agencies.</p> <p>5.2 The GAD Plan shall be integrated in the regular activities of the agency, with at least five per cent of its budget. For this purpose, activities currently undertaken by the Agency that relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by the agency.</p> <p>5.3 PITC, however, has not identified GAD</p>	<p>We recommended that Management:</p> <p>a. Prepare GAD plan and Budget to support the gender issues in the agency and identify GAD related activities embedded in the regular operations/activities which may be considered sufficient compliance with said requirement; and</p> <p>b. formulate and conduct more GAD-related activities and utilize its allocated/approved budget to implement the annual GAD plan.</p>	<p>Meet with PITC-GAD Focal Team to discuss integration of regular PITC activities in the GAD Plan and Budget as PITC also practices gender-responsive governance which could be reported and considered sufficient compliance with the GAD requirement.</p> <p>Comply with the COA recommendation.</p>	HR and GAD Focal Point Person	July	Dec	On-going	N/A	<p>More active alliance with DTI GAD Focal Team and PCW and participate in their GAD-related training programs and workshops.</p> <p>Coordinate with the PITC business groups in identifying related activities which can be attributed to GAD and the utilization of budget to implement the GAD plan.</p> <p>COA recommendation for implementation.</p>



Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non-Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	<p>related activities embedded in their regular operations/activities which may be considered sufficient compliance with said requirement , and may therefore form part of the required five per cent of its Corporate Operating Budget for CY 2015.</p> <p>5.4 PITC has set a GAD budget of P1.605 million which was way below the required five per cent of the corporate operating budget. Out of P1.605 million budget, only 76.62 per cent or P1.230 million was utilized in the implementation of GAD related activities while the amount of P375,000 was not utilized.</p> <p>5.5 The following GAD activities were conducted during the year:</p> <p><u>Client –focused</u></p> <p>1. Monitored progress of SMEs P 0 business transactions through PITC’s linkages.</p> <p>2. Assisted women-led SMEs to 44,104 Export briefing and to exhibit their products to international trade fairs.</p> <p><u>Organization-focused</u></p> <p>1. Conducted Trainings/ seminars/ Workshops/competency build Up on various aspects.</p>								

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
	26 women employees attended various training programs/ seminars. 303,762								
	Conducted at least one Entrepreneurial / livelihood Training program. 0								
	2. Physical fitness/sports program attended by 81 PITC employees. 584,692								
	3. Orientation on the causes of illness common to PITC employees including its prevention. 87,141								
	4. Conducted one spiritual program entitled "Openness to God's Saving Action". 39,905								
	5. Continuous gathering of GAD-related materials and articles and dissemination to employees. 2,850								
	6. Continuous participation to activities of the National Women's Month Celebration. 167,288								
	<b>TOTAL AMOUNT</b> <u><b>P1,229,742</b></u>								

Ref	Audit Observations	Audit Recommendation	Agency Action Plan				Status of Implemen- tation	Reason for Partial/Delay/ Non- Implementation , If Applicable	Action Taken/Action to be taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			
6	<p>Status of Unsettled Audit Disallowances, Charges and Suspensions as of December 31, 2015.</p> <p>ND No. 11-01-10 Various Employees for the reimbursement of invalid prepaid cellphone cards amounting to P3,600.00.</p>							<p>Already settled/paid per attached OR#1763 to 1765 dated June 29, 2016</p>	

Agency sign-off:

  
**MARIA LOURDES T. BAUA**

President & CEO 

August 04, 2016

Date