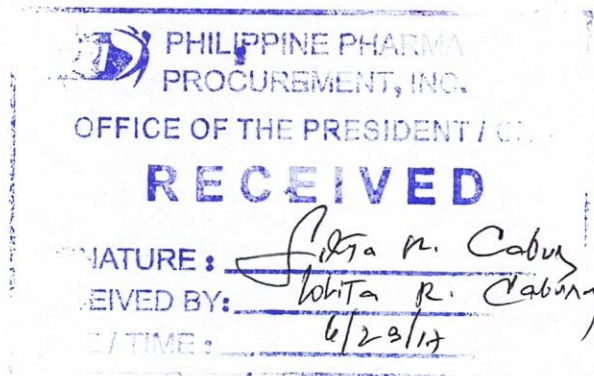




CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional
and Other Services

June 23, 2017

Mr. JOSE A. CAPISTRANO, Jr.
President and Chief Executive Officer
Philippine Pharma Procurement, Inc.
NDC Building
Tordesillas Street, Makati City



Dear Mr. Capistrano:

We are pleased to transmit our Annual Audit Report on the results of the audit of the accounts and transactions of the Philippine Pharma Procurement, Inc. (PPPI) for the year ended December 31, 2016, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and Status of Implementation of Prior Year's Audit Recommendations.

The Auditor expressed an unmodified opinion with emphasis of matter on the fairness of presentation of the financial statements of PPPI. Attention was drawn to PPPI's accumulated deficit of P389.254 million which continue to cast doubt on its ability to carry out its mandated function as the central procurement arm for all government agencies for the importation of drugs and medicines.

Below is the summary of significant audit observations and recommendations which are discussed in detail in Part II of this Report:

1. PPPI's accumulated deficit of P389.254 million continues to cast doubt on its ability to carry out its mandated function as the central procurement arm for all government agencies for the importation of drugs and medicines.

We reiterated our recommendations that Management:

- a. Conduct an assessment of the conditions affecting the consistent unfavorable operating performance of PPPI; and
 - b. Formulate policies and action plans as well as establish specific courses of action to implement strategies to be undertaken to address the results of the assessment conducted.
2. Liquidated damages (LD) imposed on suppliers were not in accordance with the terms and conditions of the PPPI purchase order resulting in uncollected revenue of P21.896 million.

We recommended that Management comply with the provisions of the Government Procurement Manual on the imposition of liquidated damages.

3. The payment of Representation and Transportation Allowance (RATA) to its officers/employees exceeded the amount prescribed under National Budget Circular (NBC) No. 2013-548 dated May 15, 2013 implementing the General Appropriations Act (GAA) provisions on the payment of RATA. Likewise, the required documentation under Item 4(e), Rationalization of Allowances, Benefits and Incentives, J.R. No. 4 series of 2009 was not complied.

We recommended that Management secure approval of its Salary Package from the Office of the President thru the Governance Commission of GOCCs (GCG). Otherwise, adjust payment of RATA to PPPI Officials by adhering to NBC No. 2013-548 dated May 15, 2013 implementing GAA provisions on the authorized rates of the RATA.

The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 2, 2017 are discussed in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


WILFREDO A. AGITO

Director IV

Copy furnished:

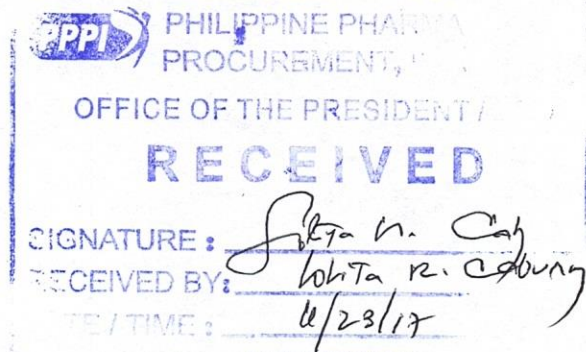
The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government – Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The National Library
The UP Law Center
The COA Commission Central Library



CORPORATE GOVERNMENT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional
and Other Services

June 23, 2017

THE BOARD OF DIRECTORS
Philippine Pharma Procurement, Inc.
NDC Building
Tordesillas Street, Makati City



Gentlemen:

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The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 2, 2017 are discussed in detail in Part II of the report.

In a letter of even date, we requested the President and Chief Executive Officer of PPPI that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form and returning the same to us within 60 days from the date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


WILFREDO A. AGITO
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government – Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The National Library
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The COA Commission Central Library

(Name of Agency and Address)

**AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION**

For Calendar year 20 __

As of _____

Ref	Audit Observations	Audit Recommendation	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/ Non-Implementantion, If applicable	Action Taken/Action to be taken	
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From				To

Agency sign-off:

Name and Position of Agency Officer

Date

Note: Status of implementation may either be (a) Fully implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed
This template shall be used for Current Year's audit recommendations and Prior Years' recommendations as contained in the Part II-A and B, respectively, of the Annual Audit Report.

ACTION PLAN MONITORING TOOL

Sector: _____
 Team: _____
 Agency Audited : _____
 Audit Period: _____
 AAR Date: _____

Prepared by: _____ Date: _____
 Reviewed by: _____ Date: _____
 Approved by: _____ Date: _____

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION														
Ref	Audit Observations	Audit Recommendation	Action Plan	Person/Dept. Responsible	Target Implementation Date		Status of Implementation	Reason for Partial/Delay/ Non-Implementantion, If applicable	Action Taken/ Action to be taken	Date of Follow up	Status of Implementation	Actual Implementation Date		Remarks
					From	To						From	To	

Prepared by:

 Audit Team Leader

 Date

Note: Status of Implementation may either be (a) Fully implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed