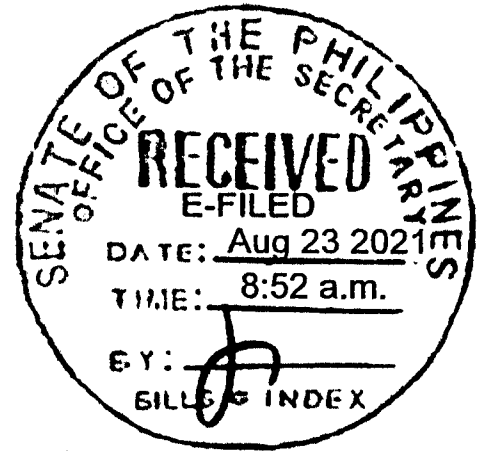


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Third Regular Session )



SENATE

P.S. Res. No. 859

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Introduced by SENATOR LEILA M. DE LIMA

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**RESOLUTION**

**DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE FINDINGS OF COMMISSION ON AUDIT (COA) REPORT ON THE DEPARTMENT OF HEALTH (DOH) ON THE REPORTED UNSPENT FUNDS, MISSTATEMENTS, IRREGULARITIES AND DEFICIENCIES, WITH THE END VIEW OF ADDRESSING RECURRENT ISSUES THAT HAS PLAGUED ITS SERVICES, AS WELL AS THE PERSISTENT FAULTS AND LAPSES THAT GIVE RISE TO WASTAGE EVEN AMIDST TIMES OF SCARCITY AND SHORTAGE, AND HOLDING ACCOUNTABLE IDENTIFYING AND HOLDING ACCOUNTABLE THOSE RESPONSIBLE FOR THE SAME**

1           WHEREAS, Article II, Section 15 of the 1987 Constitution is clear that the State  
2 is mandated to “protect and promote the right to health of the people and instill health  
3 consciousness among them”;

4           WHEREAS, Article II, Section 28 of the same also declares, in part, that “[t]he  
5 State adopts and implements a policy of full public disclosure of all its transactions  
6 involving public interest”;

7           WHEREAS, Section 2 of Presidential Decree No. 1455, otherwise known as the  
8 “Government Auditing Code of the Philippines”, is authoritative on matters relating to  
9 the squandering of resources. The provision thus requires that all resources of the  
10 government shall be managed, expended or utilized not only in accordance with law  
11 and regulations, but also consistent with the manner that would “safeguard against  
12 loss or wastage through illegal or improper disposition”;

13           WHEREAS, the purpose of the aforementioned provision is to ensure  
14 “efficiency, economy and effectiveness in the operations of government”;

1           WHEREAS, under the same provision, the responsibility to take care that such  
2 policy is faithfully adhered to “rests directly with the chief or head of the government  
3 agency concerned”;

4           WHEREAS, Section 105 of the same law exacts accountability from every officer  
5 in relation to government property “for all losses, damages, or deterioration  
6 occasioned by negligence in the keeping or use of the property whether or not it be at  
7 the time in his actual custody”;

8           WHEREAS, the Department of Health (DOH) Administrative Order No. (A.O.)  
9 No. 2013-0027 required the Department to adopt and implement the World Health  
10 Organization’s (WHO) Annex 5 Guide to the Distribution Practices (GDP) for  
11 Pharmaceuticals. Under the said A.O., a “system should be in place to ensure that  
12 pharmaceutical products due to expire first are sold and/or distributed first (FEFO).  
13 Where no expiry dates exist for the products, the FEFO principle should be applied.”<sup>1</sup>  
14 Furthermore, the A.O. adopted Annex 9.4 on the Guide to Good Storage Practices for  
15 Pharmaceuticals which obliges that “[a]ll stocks should be checked regularly for  
16 obsolete and outdated materials and pharmaceutical products”;<sup>2</sup>

17           WHEREAS, there is no denying that the health sector is one of those hardest  
18 hit in the COVID-19 pandemic that has brought many health frontliners to breaking  
19 point, and has claimed the lives of thousands. The almost cyclical resurgence of cases  
20 continues to impact our health system across the country;

21           WHEREAS, the crisis has been further exacerbated by supply shortages amid  
22 rising cases which lead hospitals and healthcare workers alike to fear for their lives  
23 and safety each time a surge occurs;<sup>3</sup>

24           WHEREAS, the DOH has three specific roles in the health sector: leadership in  
25 health, enabler and capacity builder, administrator for specific services, particularly  
26 national and sub-national health facilities and hospitals serving as referral centers,  
27 direct services for emergent health concerns requiring complicated technologies and  
28 assessed as critical for public welfare and health emergency response services, referral  
29 and networking systems for trauma, injuries, catastrophic events, epidemics and other

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<sup>1</sup> DOH A.O. No. 2013-0027, Paragraph 7.12. (02 October 2013)

<sup>2</sup> *Ibid*, Paragraph 5.18.

<sup>3</sup> CNN Philippines. (05 April 2021) *Hospitals worry about PPE supply amid rising COVID-19 cases*. Retrieved 16 August 2021, from: <https://cnnphilippines.com/news/2021/4/5/PPE-shortage-COVID-19-Philippines-hospitals.html>

1 widespread public danger.<sup>4</sup> As the most crucial government agency in our pandemic  
2 response, the DOH is expected to be functioning more diligently, efficiently and  
3 conscientiously in order to safeguard the health and well-being of Filipinos, and  
4 respond more effectively to the demands of this public health emergency;

5 WHEREAS, the 2020 report of the Commission on Audit (COA) on the DOH  
6 revealed that of the total appropriation of approximately ₱205.621 billion, pursuant to  
7 Republic Act No. 11465 or the General Appropriations Act for FY 2020, and of the total  
8 allotments received amounting to ₱200.855, the DOH had unreleased appropriation,  
9 unobligated allotment and unpaid obligation amounting to ₱4.765 billion, ₱24.641  
10 billion and ₱34.496 billion, respectively;<sup>5</sup>

11 WHEREAS, the COA noted various deficiencies involving some  
12 ₱67,323,186,570.57 worth of public funds “intended for national efforts of combatting  
13 the unprecedented scale of COVID-19 crisis.” The COA went as far to conclude that  
14 these deficiencies “contributed to the challenges encountered and missed  
15 opportunities by the DOH during the time of state of calamity/national emergency”  
16 and even “casted doubts on the regularity of related transactions”;<sup>6</sup>

17 WHEREAS, the report also found that equipment in the aggregate amount of  
18 ₱1,225,260,560.29 procured under the Health Facilities Enhancement Program  
19 (HFEP) were either undelivered, unutilized, and/or without calibration and  
20 preventive maintenance. While several other HFEP infrastructure projects, with total  
21 value of ₱2,832,390.057.53, were either idle/unutilized or with substantial delay in  
22 implementation, thus “exposing these properties to the risks of deterioration, loss,  
23 lapse of warranty period and wastage of government funds” which in turn is “depriving  
24 the public of the benefits they could have derived from the immediate and maximum  
25 uses of said facilities and resulted to the non-attainment of the program objectives”;<sup>7</sup>

26 WHEREAS, the same report likewise exposed a very palpable repetition of what  
27 has already been previously pointed out by COA’s findings in 2019. It again divulged  
28 that drugs, medicines and other types of inventories with a total value of

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<sup>4</sup> Department of Health. Retrieved 16 August 2021, from:

[https://doh.gov.ph/sites/default/files/transparency%20scal/Mandate\\_Mission\\_0.pdf](https://doh.gov.ph/sites/default/files/transparency%20scal/Mandate_Mission_0.pdf)

<sup>5</sup> Commission on Audit. *Consolidated Annual Audit Report on the Department of Health for the Year Ended December 31, 2020: Executive Summary*, p. iv.

<sup>6</sup> *Ibid.*, p. v.

<sup>7</sup> *Id.*, p. vi.

1 ₱95,675,058.98 were nearly expired and/or have expired due to “deficient  
2 procurement planning, poor distribution and monitoring systems, and identified  
3 weaknesses in internal controls.” This prompted the COA to stress that “[t]his  
4 recurring problem of the DOH has resulted to indiscriminate wastage of government  
5 funds and resources, and impedes the attainment of DOH’s mission of heading the  
6 country in the development of a productive, resilient, equitable and people-centered  
7 health system”;<sup>8</sup>

8 WHEREAS, COA also disclosed that considerable amounts of unobligated  
9 allotments totaling ₱24,641,119,764.42 which was “aimed at strengthening the  
10 Department’s capacity to ensuring access to basic public health services to all Filipinos  
11 and further buttressing the health care delivery system” has resulted in a condition  
12 that “affects the efficient utilization of public funds vis-à-vis the agency’s  
13 implementation capabilities and its response to the urgent healthcare needs during  
14 the time of state of calamity/national emergency”;<sup>9</sup>

15 WHEREAS, the non-obligation of some ₱306,734,289.77 worth of public funds  
16 allotted for Disaster Risk Reduction and Management (DRRM) and during the state  
17 of calamity/national emergency in 2020 has led COA to advance that it “demonstrates  
18 that not enough programs and projects were implemented in order to mitigate related  
19 risks and alleviate the people’s condition faster to recovery”;<sup>10</sup>

20 WHEREAS, the report also showed that DOH had unauthorized and unnecessary  
21 balances in depositary accounts as well as fees and other receipts or revenues collected  
22 totaling ₱441,239,379.94 which “remained unremitted to the National Treasury  
23 contrary to law and regulations”;<sup>11</sup>

24 WHEREAS, the COA reported that the government was deprived of the most  
25 advantageous prices due to procedural deficiencies in the procurement process and  
26 lack of documentation in various contracts entered into and implemented by the DOH,  
27 as well as lapses in implementation of its various projects in the aggregate amount of  
28 at least ₱3,967,249,291.33. These, the COA said, were not in keeping with the  
29 provisions of Republic Act No. 9184, or the “Government Procurement Reform Act”,

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<sup>8</sup> *Id.*, p. vii.

<sup>9</sup> *Id.*, p. viii.

<sup>10</sup> *Id.*, p. ix.

<sup>11</sup> *Id.*, p. ix.

1 and its Revised Implementing Rules and Regulations, and “resulted in doubtful  
2 payment transactions and significant delays in project completion”;<sup>12</sup>

3 WHEREAS, several disbursements in the total amount of ₱557,699,748.22 “did  
4 not comply with established rules, procedural guidelines, policies, principles or  
5 practices in the incurrence of irregular, unnecessary, and excessive expenditures”;<sup>13</sup>

6 WHEREAS, in Part II – Observations and Recommendations of the COA  
7 Report, it was bared that the asset, liabilities and equity accounts of the DOH “had  
8 errors and omissions misstating their year-end balances” by 26.97%, 3.66% and  
9 29.60%, respectively. Due to the “significant impact” of such misstatements on the  
10 reported balances of the affected accounts, DOH’s assertions as to said accounts “could  
11 not be relied upon”;<sup>14</sup>

12 WHEREAS, the COA itself said that their audit only serves to confirm what  
13 many have already observed, that despite their prior audit recommendations to the  
14 DOH in previous years, the deficiencies reported “were still caused by the failure to  
15 conduct periodic physical count, incomplete inventory reports, failure to maintain and  
16 update complete accounting records, non-evaluation of inventory items for  
17 impairment and non-conformance to the established guidelines in the management of  
18 inventories”;<sup>15</sup>

19 WHEREAS, the COA further pointed out that the continued neglect of settling  
20 errors and the apparent lack of interest in clearing its inventory variances “evidenced  
21 by the inaction” may very well be “considered to be the root cause of the problem”.  
22 This practice violates the pertinent provisions of Presidential Decree (PD) No. 1445,  
23 otherwise known as the “Government Auditing Code of the Philippines”, on adequacy  
24 of needed information and has therefore “resulted to the presentation of unreliable,  
25 inaccurate and misleading financial information of the DOH”;<sup>16</sup>

26

27 WHEREAS, auditors also said that “[w]hile it cannot be denied that there are a  
28 lot of Filipinos in need of drugs and medicines, especially in the countryside, millions

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<sup>12</sup> *Id.*, p. x.

<sup>13</sup> *Id.*, p. x.

<sup>14</sup> Commission on Audit. *Consolidated Annual Audit Report on the Department of Health for the Year Ended December 31, 2020: Observations and Recommendations*, p. 83

<sup>15</sup> *Ibid.*, p.83.

<sup>16</sup> *Id.*, p. 83.

1 worth of DOH inventories were allowed to expire, thereby constituting indiscriminate  
2 wastage of government funds/resources.” Over-all, the COA said, the problem exposed  
3 DOH’s “inability to safeguard, manage and utilize health funds and resources  
4 economically and effectively;<sup>17</sup>

5 WHEREAS, this is not the first time that the DOH had been flagged by COA for  
6 its over-procurement and poor distribution of medicine. In July 2019, according to  
7 COA’s annual audit report, the DOH, as of 31 December 2018, had ₱18.449 billion  
8 worth of medicine purchased from 2015 to 2018 which had yet to be distributed to  
9 government hospitals, health centers and other government treatment facilities;<sup>18</sup>

10 WHEREAS, the continued and persistent problems that COA has reported  
11 undeniably show a systemic failure to comply with relevant laws and rules. The DOH’s  
12 deliberate inaction and non-compliance with COA’s recommendations also reveal an  
13 image that is unconcerned and insouciant which borders on gross negligence;

14 WHEREAS, the fact that in the thick of waging a war against COVID-19, DOH  
15 had unused funds from 2020, reveal that the DOH remained unperturbed with the  
16 rising deaths and infections;

17 WHEREAS, as already previously stressed by this representation in Proposed  
18 Senate Resolution No. 539, the over-procurement and poor distribution of medicines  
19 and other medical supplies is a systemic problem within the DOH that has long  
20 crippled the health system thereby affecting the lives and safety of Filipinos. The DOH  
21 cannot thus justify these occurrences to lockdowns and other health protocols, which,  
22 as any responsive government agency and leadership demands, should have already  
23 been adjusted to and adapted with;

24 WHEREAS, it is at the height of stubbornness and outright negligence for DOH  
25 to continue its practices detrimental to the people which were already flagged by the  
26 COA in previous years. Even worse, the DOH had the audacity to have unspent  
27 amounts which total to 29% of its entire 2020 budget while in the middle of a medical  
28 emergency which necessitated efficient and quick responses;

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<sup>17</sup> *Idi.*, p 122.

<sup>18</sup> Marcelo, E. (25 July 2019). *COA flags DOH over poor distribution of medicine.*

<https://www.philstar.com/headlines/2019/07/25/1937710/coa-flags-doh-over-poor-distribution-medicine>

1           WHEREAS, the lack of prudence and diligence on the part of the DOH should  
2 not be tolerated. Its failure to judiciously and meticulously plan and respond to the  
3 health needs of the country is unacceptable and warrants a thorough investigation to  
4 determine who are responsible;

5           WHEREAS, it is incumbent upon the Senate to inquire into the glaring and very  
6 concerning findings of the COA, and hold accountable those who have permitted such  
7 issues to occur and persist;

8           NOW, THEREFORE, BE IT RESOLVED BY THE SENATE, to direct the  
9 appropriate Senate Committee to conduct an inquiry, in aid of legislation, on the  
10 findings of Commission on Audit (COA) Report on the Department of Health (DOH)  
11 on the reported unspent funds, misstatements, irregularities and deficiencies, with the  
12 end view of addressing recurrent issues that has plagued its services, as well as the  
13 persistent faults and lapses that give rise to wastage even amidst times of scarcity and  
14 shortage, and identifying and holding accountable those responsible for the same.

*Adopted,*

  
LEILA M. DE LIMA