

EXECUTIVE SUMMARY

FINANCIAL HIGHLIGHTS

The highlights of the financial position and results of operation of the Land Transportation Franchising and Regulatory Board (LTFRB) for CY 2005 with comparative figures for CY 2004 are as follows:

	CY 2005	CY 2004
<u>Financial Position</u>		
Assets	₱72,918,584	₱ 82,126,267
Liabilities	11,504,821	10,056,287
Government Equity	61,413,763	72,069,980
<u>Results of Operations</u>		
Income	₱ 141,946,760	₱-137,303,328
Expenses	146,756,096	131,372,412
Excess of Income over Expenses	(4,809,336)	5,930,918

The sources and application of funds for CY 2005 with comparative figures for CY 2004 are the following:

	CY 2005	CY 2004
Allotments Received	₱167,054,103	-₱134,249,424
Obligations Incurred	145,935,932	133,024,088
Balances	21,118,171	1,225,336

Total income collected for the National Government for CY 2005 and CY 2004 totaled ₱503,315,849 and ₱467,422,662, respectively, while deposits to the Bureau of Treasury for CY 2005 totaled ₱501,694,626.

SCOPE OF AUDIT

The audit covered the financial transactions and operations of the LTFRB for Calendar Year 2005. The audit was conducted to (a) verify the level of assurance that may be placed on the management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the agency's deviation from prescribed procedures which resulted in misstatements of some account balances and its inconsistency in the use of the method in computing the cost of ending inventory.

OBSERVATIONS AND RECOMMENDATIONS

1. Property, Plant and Equipment and Other Assets amounting to ₱1,950,943.40 are unreliable due to the agency's failure to (a) record in the books the costs of existing assets; (b) reclassify unserviceable properties to the Other assets accounts; (c) drop from the books the costs of assets that are not existing and (d) correct the erroneous recording of transactions.

We recommended that the Accountant and the Property Custodian be directed to locate the pertinent documents that contain the data needed to record the costs of existing assets. Thereafter, require both to perform a reconciliation of ledgers and reports and make the necessary adjustments on their respective records. (par. # 4 to 4.8)

2. Unserviceable properties totaling ₱1,676,196.08 were not disposed of, contrary to Section 79 of PD 1445. On the other hand, unserviceable properties with a total net book value of ₱309,767.00 were dropped from the books of accounts although the same have not yet been disposed of, thereby understating the Other Assets account.

We recommended that the Property Officers of Regions IV, IX and XI be directed to initiate the disposal of unserviceable properties and to drop from the Other Assets account the cost of unserviceable properties as soon as the same are disposed of. Also, the Accountant of Region XII be enjoined to restore to the Other Assets account the cost of undisposed unserviceable property and to stop the practice of dropping from the books the cost of unserviceable property that have not been disposed of. (par. # 5 to 5.8)

3. Cash advances totaling ₱1,373,147.42 remained unsettled as of year end due to the agency's failure to (a) exercise appropriate measures against erring officials and employees who failed to submit their liquidation within the period prescribed in COA Circular No. 97-002 dated February 10, 1997 and (b) stop the practice of granting additional cash advances which is prohibited in Section 89 of PD 1445.

We recommended that the Legal Division of the Central Office be directed to send demand letters to grantees of advances who are no longer in the government service and initiate the filing of appropriate charges against those who continue to ignore the agency's demand. We also recommended that the Central Office's Accountant be instructed to suspend or withhold from the salaries of officials and employees the amount corresponding to their unsettled cash advances and, likewise, for the Accountants of Central Office and Region VI to stop the practice of granting additional cash advances to

those with unliquidated accounts, otherwise, appropriate disciplinary measures shall be imposed against those who continue to violate Section 89 of PD 1445. (par. # 2 to 2.10)

4. Absence of feedback mechanism which could have allowed the agency to adopt strategies to improve their collection performance, inadequate information in the database and lack of coordination with other law enforcement agencies hindered the effective implementation of LTFRB decisions resulting in collection shortfall by ₱22,961,180.00 or 38.37 % as against the expected revenue, and inadequate protection of passengers from unauthorized fares.

We recommended that Central Office management assign to its designated Planning Officer the function to perform an analysis of the collection performance of the LTFRB and apprise the Board of the results of such analysis periodically. Likewise, it was recommended that additional personnel be assigned to the Technical Evaluation Division to facilitate the updating of the Operators' Ledger Cards, and that the regional offices be advised to maintain accurate and up-to-date database that can readily supply the information on the status of each operator. Further, it was recommended that management coordinate with law enforcement agencies to assist in checking the operators' compliance with the required display of fare matrices. (par. # 7 to 7.12)

Implementation of Prior Year's Audit Recommendations

Of the seven (7) audit recommendations for CY 2004, one (1) was fully implemented, three (3) were partially implemented and the remaining three (3) were not implemented. Details are presented in the attached matrix.