

EXECUTIVE SUMMARY

A. Introduction

The Provincial Government of Nueva Vizcaya came into existence by virtue of the Royal Decree of Spain dated April 10, 1841. The Province comprises an aggregate land area of 437,880 hectares and classified as a second class Province with 15 municipalities.

A financial and compliance audit was conducted on the accounts and operations of the Province of Nueva Vizcaya. The audit objectives were to ascertain the propriety of disbursements, the reliability of financial reports, the adequacy of accounting records, compliance with laws, rules and regulations as well as adherence to prescribed policies and procedures. Likewise, the audit was conducted to determine whether plans, programs, projects and activities for the year were attained in an efficient, economic and effective manner.

B. Highlights of Financial Operation

The financial position, financial performance, appropriations and obligations of the Province of Nueva Vizcaya for CY 2016 and 2015 are as follows:

Particular	2016	2015	Increase/(Decrease)	
			Amount	%
Assets	P 3,985,795,416.08	P 1,776,018,767.12	2,209,776,648.96	124.42%
Liabilities	658,464,037.80	399,506,211.34	258,957,826.46	64.82%
Government Equity	3,327,331,378.28	1,376,512,555.78	1,950,818,822.50	141.72%
Revenue	1,231,756,285.70	1,066,359,054.90	165,397,230.80	15.51%
Expenses	994,605,500.97	963,206,101.43	31,399,399.54	3.26%
Surplus (Deficit)	237,150,784.73	103,152,953.47	133,997,831.26	129.90%
Current Year Appropriation	1,315,203,102.13	1,388,928,986.65	(73,725,884.52)	(5.31%)
Continuing Appropriation	583,464,955.01	561,236,557.33	22,228,397.68	3.96%
Current Obligations	955,155,113.87	890,515,978.54	64,639,135.33	7.26%
Continuing Obligations	202,670,656.86	273,587,141.09	(70,916,484.23)	(25.92%)

The 124.42 percent increase in assets was mainly caused by the inclusion of the Road Networks account amounting to P1,846,240,464.80 in the Infrastructure Assets in compliance with the PPSAS. Increase of 64.82 percent in liabilities was the result of the fund transfer from the Department of Budget and Management (DBM) amounting to P106,075,501.38 for the implementation of KALSADA projects and unremitted share of LGUs in the real property tax (RPT), especially the RPT

collected from the Casecan Hydropower Plant. Accordingly, government equity was increased by P1,950,818.822.50 or 141.72 percent.

RPT shares, hospital fees, share from internal revenue collection and grants and donations in cash have greatly affected the increase in Revenue and Surplus of CY 2016.

Decrease of current appropriation was primarily caused by the decrease of appropriation in General Public and Health Services while the increase in current obligations were brought by the obligations under General Public, Social Welfare and Economic Services, and the utilization of the 5% Calamity Fund and 20% Development Fund.

There was increase in continuing appropriation because of the unexpended Capital Outlay in CY 2015 and the main cause of the difference in the continuing obligations was the low utilization of the 5% Calamity Fund in CY 2016.

Comparative Statement of Funds Transfer to and from NGAs, GOCCs, LGUs, NGOs and POs:

Account Title	2016	2015	Increase / (Decrease)
Fund Received from Other Agencies:			
Due from NGAs	P 2,415,847.89	P 2,415,847.89	-
Due from GOCCs	0.00	0.00	-
Due from LGUs	7,238,703.17	6,347,729.54	890,973.63
Due from NGOs/POs	0.00	0.00	-
TOTAL	P 9,654,551.06	P 8,763,577.43	P 890,973.63
Fund Transferred to Other Agencies:			
Due to NGAs	P144,455,437.15	P 48,945,094.56	P 95,510,342.59
Due to GOCCs	929,574.96	149,700.30	779,874.66
Due to LGUs	43,721,296.61	6,158,070.98	37,563,225.63
Due to NGOs/POs	0.00	0.00	-
TOTAL	P189,106,308.72	P 55,252,865.84	P133,853,442.88

C. Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Provincial Government of Nueva Vizcaya for CY 2016 for the following reasons: (a) the "Due to Special Accounts" account as of December 31, 2016 was understated by P33,531,580.80 because the part of the allocated 23.59% Development Fund was not fully transferred in the 20% DF bank account and no liability was recognized; (b) the cash advance account was overstated by P7,230,000.00 because the Confidential and Intelligence Fund was still outstanding even though liquidation reports were submitted to the ICFAU; (c) "Due to

PhilHealth” and “Loans Receivables-Others” accounts were understated by P152,189.68 and P94,654.03, respectively, due to the inclusion of negative balances as presented in the subsidiary ledgers; (d) the Biological Assets account amounting to P3,134,413.89 is doubtful due to unreconciled differences between the accounting and property records by P1,083,213.89; (e) there is unreconciled balance of P78,535,073.00 between the Cash-in-Bank and Due to NGAs of the SLRF since the bank account were used for other purposes aside from its purpose; (f) fund transfers to the Department of Education (DepEd) – Division Office, Nueva Vizcaya totaling P7,720,000.00 were recorded as outright expense for travelling expenses-local amounting to P920,000.00 and other maintenance and operating expenses amounting to P6,800,000.00, thus, overstating the said accounts; and (g) fund transfers to other LGUs amounting to P20,093,000.00 were recorded as outright expense instead of “Due from Other LGUs”, hence, expenses were overstated by P20,093,000.00.

D. Significant Findings and Recommendations

The findings and recommendations were discussed with concerned officials and employees in an exit conference on February 22, 2017 and comments were incorporated in the report, where appropriate. The most significant findings and recommendations are as follows:

1. The amount of P72,042,198.10 and P144,586,176.18 were charged and transferred, respectively, to the Special Local Road Fund (SLRF) bank account for the implementation of trust fund projects other than those of SLRF projects which is in contrary with Article IV(B)(2) of the DPWH Department Order (D.O.) No. 42, s. of. 2008, thus, exclusive use of the account was not satisfied.

We recommended that the Accounting and Treasury Offices make necessary adjustments with regard to the transactions that do not concern the SLRF projects in the RUF account and to be cautious when drawing and depositing funds and see to it that all obligations and receipts were duly drawn and deposited from their respective account and fund.

2. Tax arrears amounting to P3,218,781.66 of officials and employees on their CY 2013 Economic Relief Assistance as reassessed by the Bureau of Internal Revenue (BIR) were paid for by the Provincial Local Government Unit without Appropriation, hence unauthorized.

We recommended that the Accounting Office submit legal basis for this transaction. Likewise, explain why this should not be considered technical malversation of public funds.

It is further recommended that one-time payroll deductions be effected. Payrolls show that most officers and employees net take home pay is sufficient to cover their

tax arrears. This will also restore the cash back-up of the programs, projects and activities for which these were appropriated.

3. Rice subsidy totaling P24,243,750.00 or P18,000.00 each official and employee was granted in view of *de minimis* benefit embodied under Appropriation Ordinance No. 2016-417 which is not among the allowances specified under Section 12 of RA 6758 or the Salary Standardization Law (SSL) as reiterated in COA Circular No. 2013-003 dated January 30, 2013.

We recommended that management only grant allowances and benefits authorized under the salary standardization law. Other allowances and benefits not included in the aforementioned enumeration may only be granted with legal basis.

4. The Collective Negotiation Agreement Incentive has exceeded by P18,662,000.00 or P18,000.00 each which is not in accord with Budget Circular No. 2016-7 dated December 1, 2016 or the Guidelines on the Grant of Collective Negotiation Agreement Incentive.

We recommended that management consider the ceiling of CNA incentive of P25,000.00 as specified on the guidelines on the grant of collective negotiation agreement incentive (BC No. 20016-7) and cause the refund of CNA incentives amounting to P18,662,000.00 that was disallowed by the Department of Budget and Management (DBM).

5. The three flagship projects totaling P149 million were not accomplished within the respective time duration, hence early utilization thereof was not possible, and termination of the contracts as provided under Item No. 8 (4) Annex E of the IRR of RA 9184, known as the Government Procurement Reform Act is probable.

We recommended that Management consider the provision of Sec. 68 of the IRR of RA 9184 or the courses of action on delayed completion of projects by contractors. Likewise, liquidated damages should be computed by the Provincial Engineering Office on the different projects and furnish the same to the Accounting Office for the latter's reference and termination of the contracts may be resorted to, if warranted.

6. Procured planting materials amounting to P8,943,500.00 under the High Value Commercial Crops (HVCC) program were not completely delivered, yet suppliers were fully paid of their contracts which are not in accord with Section 88(1) of P.D. No. 1445.

We recommended that the Office of the Provincial Agriculture Office demand from the suppliers the deliveries of the 282,631 pieces of planting materials and impose/collect liquidated damages at 1/10 of one percent of the value of the undelivered planting materials for each day of delay as specified on the purchase order.

Likewise, strictly monitor the implementation of its programs or programs that were tied-up with other agencies and observe the provisions in the MOA, especially its obligation, to avoid any penalty.

E. Summary of Total Suspensions, Disallowances and Charges as of year-end

Particulars	Beginning Balance	Issued During the Year	Settlement During the Year	Ending Balance	% of Settlement
<u>Suspensions</u>					
Prior Years	6,614,595.90	0.00	0.00	6,614,595.90	0.00%
Current Year	0.00	0.00	0.00	0.00	0.00%
Total	6,614,595.90	0.00	0.00	6,614,595.90	0.00%
<u>Disallowances</u>					
Prior Years	45,762,965.52	72,000.00	104,000.00	45,730,965.52	0.22%
Current Year	0.00	0.00	0.00	0.00	0.00%
Total	45,762,965.52	72,000.00	104,000.00	45,730,965.52	0.22%
<u>Charges</u>					
Prior Years	0.00	0.00	0.00	0.00	0.00%
Current Year	0.00	0.00	0.00	0.00	0.00%
Total	0.00	0.00	0.00	0.00	0.00%

The prior years' audit suspension totaling P6,614,595.90 were not settled within the prescriptive period, thus, disallowance will be issued.

Out of the beginning balance of the prior years' disallowances, P40,063,811.96 were appealed to the Commission Proper (CP) of which P54,000.00 were settled during CY 2016. The total amount of P819,028.56 were issued a COA Order of Execution (COE) and P50,000.00 was fully settled while P483,885.71 was partially settled in CY 2016. The amount of P4,810,000.00 was upheld by the Commission proper for its disallowance and Notice of Finality of Decision (NFD) will be issued.

The amount of P55,080.00 has been settled during the 1st quarter of CY 2017 pursuant to the decision of the CP. The amount of P15,045.00 has reached its finality and NFD will be issued.

F. Status of Implementation of Prior Year's Audit Recommendations

Out of the forty (30) audit recommendations contained in the Annual Audit Report for CY 2015, fourteen (14) were fully implemented, seven (7) were partially implemented while the remaining nine (9) were not implemented and out of the five

(5) audit recommendations in the Briefing Letter for the period ended June 30, 2016, four (4) were not implemented and one (1) was partially implemented

The compliance of the LGU in the implementation of the prior year's audit recommendations signifies their adherence to existing laws, rules and regulations.