

EXECUTIVE SUMMARY

A. INTRODUCTION

The **Province of Pangasinan** is the largest province in Region I and the third biggest in the Philippines with four cities, 44 municipalities and 1,364 barangays divided into six congressional districts. It is strategically situated and easily accessible from urban areas where business and economic activities are situated, 170 kilometers north of Manila, 50 kilometers southwest of Baguio City. Its Provincial Capital is the Municipality of Lingayen which is likewise the seat of the Provincial Government.

The dawn of the Golden Age for Pangasinan has reintroduced the prominence of the Province in achieving various national and regional awards. It has likewise repositioned Pangasinan as one among the top provinces in the country whose good practices in terms of developmental governance are worth emulating. Topping the list of these awards is the Seal of Good Local Governance (SGLG) award which the Department of Interior and Local Government (DILG) bestowed to the Province of Pangasinan for five straight years. The SGLG is awarded annually to a local government unit for successfully hurdling seven core components: financial administration, disaster preparedness, social protection, peace and order, business friendliness and competitiveness, environmental protection, and tourism, culture and the arts.

Pangasinan is adeptly headed by Hon. Amado I. Espino III as Provincial Governor and Hon. Vice Governor Mark Ronald D. Lambino as the newly-elected Presiding Officer of the legislative body and supported by 15 provincial officials, 1,467 permanent employees, 35 co-terminus employees, 1,616 casual employees, 170 consultants and 2,404 job order personnel as of December 31, 2019.

B. FINANCIAL HIGHLIGHTS

The following comparative data show the financial condition, results of operations, sources and application of funds during the years 2019 and 2018:

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>	<u>%</u>
Assets	11,788,720,838.07	11,124,188,020.05	664,532,818.02	5.97%
Liabilities	2,628,395,805.81	2,465,957,987.28	162,437,818.53	6.59%
Government Equity	9,160,325,032.26	8,658,230,032.77	502,094,999.49	5.80%
Income	4,324,730,596.14	4,086,681,382.65	238,049,213.49	5.83%
Expenses	3,794,941,020.31	3,151,357,760.69	643,583,259.62	20.42%
Appropriations	4,703,609,386.40	5,511,741,743.25	(808,132,356.85)	(14.66%)
Obligations	3,972,896,152.00	4,723,162,089.41	(750,265,937.41)	(15.88%)
Balances of Appropriations	730,713,234.40	788,579,653.84	(57,866,419.44)	(7.34%)

C. OPERATIONAL HIGHLIGHTS

The Provincial Government of Pangasinan strived for various comprehensive programs to address the delivery of basic services to promote progress and development during the year. We highlight in this audit report those major projects which were funded from PRDP, CMGP and shares from Tobacco Excise Tax, and those projects which were validated by our Audit Team and Technical Audit Specialists from COA Regional Office No. I. Among these major projects, programs and activities are as follows:

Projects/ Programs/ Activities	Location	Contract Cost	Fund Source	Remarks
Rehabilitation/Concreting of Mabilao-Binday Road	San Fabian	27,464,761.62	LBP Loan	Requested for inspection
Construction of PDRRMC Emergency Operations Center	Lingayen District Hospital, Lingayen	19,876,152.59	LDRRMF	Requested for inspection
Rehabilitation of Gonzales - San Juan Farm to Market Road	Umingan	119,270,614.77	PRDP	TAS Inspected
Rehabilitation of Bani-Mabini road	Bani-Mabini	28,378,256.12	CMGP	TAS Inspected
Rehabilitation of Balungao-Sta. Maria road	Balungao-Sta. Maria	47,343,826.99	CMGP	TAS Inspected
Construction of Farmer's Training Center Provincial Agriculture Office	Sta. Barbara	24,860,023.82	RA 10351	On-going project
Procurement of 2 units Medical Waste Autoclave/Microwave with Built-In Shredder and housing	EPDH, Tayug & WPDH, Alaminos City	43,995,000.00	General Fund	Validated
TOTAL		311,188,635.91		

Through the proactive leadership of Governor Amado I. Espino III and the members of the Sangguniang Panlalawigan and Cabinet Executive Staff, the Province of Pangasinan also received various notable achievements and awards during the year as follows:

1. 2019 Seal of Good Local Governance (SGLG) Award conferred by the Department of Interior and Local Government (DILG);
2. Special Philippine Rural Development Project (PRDP) Recognitions/Awards for 2019, to wit:
 - Most Efficient PLGU in terms of procurement in Region I
 - Highest percentage of I-REAP sub-projects completion in Region I
 - Most Efficient LGU in terms of approval from Enterprise Prioritization to NOL 1 in Region I;

3. Most Outstanding Migration and Development Government Initiatives, conferred by the Department of Labor and Employment; and
4. 2019 Balikat ng Bayan Award as Best Accredited LGU Partner, conferred by the Social Security System.

D. SCOPE OF AUDIT

A financial and compliance audit on the accounts and operations of the Provincial Government of Pangasinan was conducted for the period ended December 31, 2019. The audit was conducted to ascertain the propriety of financial transactions and compliance of the Province to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. A Value for Money (VFM) Audit was undertaken on selected area to determine whether the agency's goals and objectives were achieved in an economical, efficient and effective manner.

E. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

A qualified opinion was rendered on the fairness of the presentation of the financial statements due to: 1) non-ascertainment of the accuracy, validity and existence of Property, Plant and Equipment amounting to ₱8,459,674,652.30; 2) adjustment made without supporting documents on the various long outstanding reconciling items amounting to ₱250,462,656.93 previously presented in the Bank Reconciliation Statements; 3) inclusion of dormant accounts with doubtful existence due to incomplete supporting documents amounting to ₱32,346,176.31; and 4) non-determination of the accuracy, reliability and existence of the Office Supplies Inventory account amounting to ₱30,583,345.58.

F. FAVORABLE OBSERVATIONS

For CY 2019, the Province strictly implemented the provisions of Section 6(b) of Republic Act No. 8291, otherwise known as Government Service Insurance System (GSIS) Act of 1997. Monthly personal shares of permanent employees and the contribution for employer's share were withheld and remitted every last week of the month, while shares for casual employees were remitted within the first ten days of the ensuing month.

G. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Hereunder are the significant observations and the corresponding recommendations which were discussed with management during the exit conference. Management comments were included in the report, where appropriate.

1. Property, Plant and Equipment (PPE) amounting to ₱8,459,674,652.30 out of the total balance of PPE account of ₱10,560,278,899.24 could not be ascertained as to

its accuracy, validity and existence due to the a) absence of PPE Ledger Cards and Property Cards; b) non-completion of physical count of inventory; c) non-depreciation of PPE amounting to ₱2,301,591,426.06; and d) discrepancy of records between the book balance and inventory reports in the total amount of ₱5,874,636,290.71, which was not in accordance with Sections 119, 120 and 124, Volume I of the MNGAS for LGUs and with the requirements of the International Public Sector Accounting Standards (IPSAS); thus, affected the reliability and accuracy of the financial statements.

We recommended and Management agreed to:

- a. ensure the conduct of physical inventory of all provincial properties by the GSO;
 - b. require the GSO and the Provincial Accountant to maintain complete and updated Property Cards and PPE Ledger Cards, respectively, and to reconcile their records with that of the Provincial Assessor's for proper accounting and recording of land account; and
 - c. require the Provincial Accountant to provide for the corresponding depreciation costs of the PPE amounting to ₱2,301,591,426.06.
2. Various deficiencies were noted in the audit of payments, contracts and other supporting documents of various procurement of infrastructure projects and goods which was not in conformity with Section 4 (6) of PD 1445, Section 9.1 of COA Circular No. 2012-001 and Section 37.2.2, Rule XI of the 2016 Revised IRR of RA 9184.

We recommended and Management agreed to:

- a. instruct the BAC and the Provincial Accountant to submit the lacking documents for the Audit Team to evaluate the same to preclude the issuance of Notice of Suspension in the ensuing year, as applicable and to ensure that all supporting documents of the contract are properly prepared, signed and dated. We also recommended that Section 4 (6) of PD 1445, Section 9.1 of COA Circular No. 2012-001 and provisions of RA 9184 be strictly observed to establish validity of the claim;
- b. instruct the contractor concerned to refund the amount of ₱28,988.04 representing overpayment of the contract cost of Rehabilitation/Concreting of Mabilao-Binday Road project to preclude the issuance of Notice of Disallowance in the ensuing year, as applicable;
- c. instruct the Office of the Provincial Accountant to make the necessary reclassifying journal entry to record the machines to proper asset account for accurate presentation of accounts in the financial statements;

- d. require the contractors to submit irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand equivalent to advance payment of 15 percent of the total contract price; and
 - e. submit the Suspension Orders and Resume Orders for the extension of contract time on the above-mentioned projects.
3. Three units of medical waste autoclave/microwave with built-in shredder and housing with a total acquisition cost of ₱65,991,800.00 remained idle from the time of delivery and acceptance due to electrical/technical deficiencies thus resulted in failure to attain their intended purposes.

We recommended that Management maximize the use of all equipment/machine or any assets acquired and avoid idleness or unproductive hours. Equipment or any assets acquired should be readily available when needed to attain their intended purpose efficiently and effectively.

We also recommended that for future procurements of highly specialized/complex machines, management should ensure that these are tested first to guarantee that they are in good condition and ready for use, as well as determination of the location where the machines are to be installed.

The other audit observations and recommendations were discussed in Part II of this Report.

H. SUMMARY OF TOTAL SUSPENSIONS, CHARGES AND DISALLOWANCES

As of December 31, 2019, the Provincial Government has unsettled total suspensions, disallowances and charges, as follows:

Particulars	Balance as of December 31, 2019	
	Prior to 2009 RRSA	2009-2019
Suspensions	₱ 0.00	₱ 42,555,074.95
Disallowances	2,996,696.48	1,966,994.69
Charges	0.00	0.00
Total	₱ 2,996,696.48	₱ 44,522,069.64

I. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 19 audit recommendations contained in the Annual Audit Report for the year 2018, six were implemented, eight were partially implemented and five were not implemented. Unimplemented and partially implemented audit recommendations which have significant effect on the financial statements were reiterated in this Report.