

EXECUTIVE SUMMARY

A. INTRODUCTION

The Province of Abra was created on March 9, 1917 by virtue of Act No. 2683 of the Philippine Legislature. It is classified as a 3rd class province, consisting of 27 municipalities and 303 barangays. The Province celebrated its centennial foundation anniversary last March 2017.

The Province is envisioned to be a land of innovative, socially responsive, peace-loving, interconnected and resilient people, geared towards sustained economic development.

The Provincial Government of Abra (PGA) is currently under the leadership of Governor Maria Jocelyn Valera-Bernos, supported by Vice-Governor Ronald Balao-as, eight Sangguniang Panlalawigan members and four ex-officio members, 492 permanent employees and 859 co-terminous, contractual and job order employees.

A financial and compliance audit was conducted on the accounts and operations of the Province of Abra for the year 2019. The audit included verification and analysis of accounts in the financial statements, review and evaluation of compliance with existing laws, rules and regulations and other procedures necessary under the circumstances.

B. FINANCIAL HIGHLIGHTS

The Provincial Government maintains three funds composed of the General Fund (GF), Special Education Fund (SEF) and Trust Fund (TF). Regular sources of income were the Internal Revenue Allotment (IRA), local tax revenues, service and business income. For the current year, there was no income from the Tobacco Excise Tax.

Comparative figures for the Assets, Liabilities, Government Equity, Revenue, Expenses and Net Surplus for the years 2019 and 2018 are as follows:

	2019	2018	Increase (Decrease)
Statement of Financial Position			
Assets	6,028,207,410.20	4,003,677,943.96	2,024,529,466.24
Liabilities	1,038,114,225.00	1,101,159,288.95	(63,045,063.95)
Government Equity	4,990,093,185.20	2,902,518,655.01	2,087,574,530.19
Statement of Financial Performance			
Revenue	1,356,201,665.70	2,336,069,840.38	(979,868,174.68)
Expenses	1,111,045,350.52	1,134,153,567.29	(23,108,216.77)
Net Surplus	245,156,315.18	1,201,916,273.09	(956,759,957.91)

Comparative figures for the total appropriations and obligations under the General Fund and Special Education Fund for the years 2019 and 2018 are as follows:

	2019		2018		% of Increase (Decrease)	
	GF	SEF	GF	SEF	GF	SEF
Appropriation	1,153,747,066.28	6,490,580.37	2,238,282,993.23	7,172,103.66	-94%	-11%
Obligation	808,338,943.72	6,490,580.37	1,860,016,171.69	6,954,829.00	-130%	-7%

Funds received during the CY 2019 from the National Government Agencies were as follows:

Source Agency	Amount
Department of Interior and Local Government	119,775,875.00
Philippine Charity Sweepstakes Office	100,000.00
Department of Health	7,400,000.00
Total	127,275,875.00

OPINION IN THE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a *qualified* opinion on the fairness of the presentation of the financial statements for reasons cited below:

1. The existence, valuation, condition and propriety of reported Road Networks valued at ₱2,847,409,163.02 could not be ascertained due to the non-submission of the Report on the Physical Count of Local Road Networks (RPCLRN), Local Road Networks (LRN) and Road Map and non-maintenance/non-submission of Local Road Network Ledger Cards (LRNLCs) and Local Road Network Property Cards (LRNPCs).
2. The correctness of the net book value of Property, Plant and Equipment (PPE) account totaling ₱202,046,889.72 and its provision for depreciation could not be ascertained due to the non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2019 and the absence of documents showing the details of PPE contrary to Sections 114 and 120 of the Manual on the New Government Accounting System (NGAS) Manual, Volume I and other pertinent rules and regulations.
3. Receivables totaling ₱21,116,485.15 were not supported with source documents, schedules and subsidiary ledger contrary to IPSAS 1 Paragraphs 27 and 29 b and c; thus, the propriety, validity, and existence of the same cannot be ascertained.
4. The accuracy of reported balances of Drugs and Medicines, and Medical, Dental and Laboratory Supplies Inventory accounts totaling ₱70,349,608.77 could not be ascertained due to non-reconciliation of records, non-maintenance of ledgers, and accounting errors resulting in net overstatement of inventory by ₱8,557,959.80,

contrary to Section 112 of PD No. 1445 and pertinent provisions of the Manual on the NGAS for LGUs.

5. Year-end financial statements, monthly accounts and financial reports were submitted late with significant delays ranging from 56 to 437 days contrary to the provisions of Sec. 41(2) of PD 1445, Section 70 of NGAS for LGUs and Paragraph 7 of COA Circular No. 2009-006; thus, precluded the timely audit of the accounts and operations of the Provincial Government.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The observations and recommendations are discussed in detail in Part II of this Report. In view of the pandemic brought by the Corona Virus Disease (COVID-19) in lieu of a face-to-face exit conference with the concerned agency officials and staff, a Summary of Observations and Recommendations (SAOR) was given to management for them to write their justifications and comments and were incorporated in the report, where appropriate. Other significant findings and recommendations that need immediate attention and action by the Management are as follows:

1. Fund transfers to municipalities and barangays totaling ₱698,578,760.55 remained unliquidated as of year-end due to lack of proper monitoring contrary to Item 3.1.3 of COA Circular 2012-001, thus exposing the fund transfers to further accumulation and greater risk of non-liquidation.

We recommended that Management:

- instruct the Provincial Accountant to coordinate with the concerned Municipal Accountants of the recipient LGUs and require them to submit the audited Report of Disbursements and Credit Notice from the implementing agency's Auditor and liquidation reports; and/or demand the return of unexpended balance or refund of disallowed payments, if any; and submit the same to COA for audited purposes;
 - direct the Provincial Engineer to inspect the infrastructure projects and issue a certification as to the completion of the infrastructure project in accordance with the Program of Work to ensure that the purpose of said fund transfers are attained.
 - release fund transfers to LGUs by tranches to encourage them to liquidate immediately upon the completion of the project.
2. The account balance of the Due from NGOs/POs totaling ₱15,481,180.00 remained outstanding as of December 31, 2019 due to the non-submission of fund utilization reports by the grantees, contrary to COA Circular No. 2007-001 dated October 25, 2007.

We recommended that Management:

- instruct the Provincial Accountant to issue a demand letter (copy furnished the Auditor) to the recipient NGOs/POs requiring them to liquidate the fund transfers and return the unexpended balance to the PGA, if any; and
- refrain from granting/allowing another fund transfer/financial assistance to any NGOs/POs unless the preceding fund transfer is settled or a proper accounting thereof is made.

Henceforth, Management should monitor the implementation of the purpose of the fund transfer and require the recipient NGOs/POs to immediately submit the Utilization Report together with the supporting documents for proper accounting.

3. The balances of cash advances totaling ₱14,082,532.21 ageing from less than one month to over four years and 11 months, remained unliquidated as of December 31, 2019 while delays in the liquidation ranged from 77 to 1,796 days contrary to COA Circular No. 97-002.

We reiterated our recommendation that Management require the disbursing officers to submit the liquidations of the remaining unliquidated cash advances and refund cash advances that has not been used at the end of the year.

Henceforth, enforce the full liquidation of all cash advances after the purpose had been served and demand the immediate refund of the excess cash advances upon the submission of the liquidation reports pursuant to COA Circular No. 97-002.

4. Grant of cash advance totaling ₱146,444,077.47 lacked the necessary documentation contrary to Section 399 of RA 7160, Section 89 of P.D. 1445, COA Circular No. 97-002 and COA Circular 2012-001; thus, the propriety thereof could not be ascertained.

We recommended that Management –

- submit the legislative enactment or legal basis authorizing the payments of honoraria and allowances; and approved estimates of petty cash advances and dietary food stuffs;
- attach the approved estimates of special purpose advances; obligation requests and other required documents upon grant in order to establish the propriety, validity and legality of the transactions made;
- fully utilize the automated teller machine payroll system in the payment of all employee compensation and benefits;

- consider the payment of check for salaries of contractual, elective and co-terminus with net amount exceeding ₱15,000.00 in order to minimize the granting of cash advances;
- instruct the internal audit unit to discontinue processing vouchers unless the documentary requirements required under COA Circular 2012-001 are complete.

Henceforth, Management should see to it that the granting of cash advance is supported with complete documentation and to discontinue paying expenses out of cash advance when they could be practically paid through checks in compliance with COA Circular No. 97-002 and COA Circular 2012-001.

5. Liquidations totaling ₱77,249,474.00 were not supported with complete documentations contrary to Sec. 89 of P.D. 1445, COA Circular No. 97-002 and COA Circular No. 2012-001; thus, validity and propriety of payments made are doubtful.

We recommended that Management –

- submit the master list of registered Barangay Health Workers (BHWs) from the local health board or secure certification indicating the names of BHWs from the Municipalities or Barangays that they are bona fide health workers;
- submit copies of proof of enrollment and identification of recipients for scholarship assistance; copies of certificate of indigence and identification for financial assistance during people's day;
- set specific policies for the qualification of assistance through a legislation, in line with the guidelines set forth by the Department of Social Welfare and Development (DSWD) for Aids to Individuals in Crisis (AICS) in order to give priority to indigent families, informal sector, and other poor, marginalized and vulnerable/disadvantaged families.
- submit copies of official receipts from LGUs and organizations for the subsidies and assistance that were given to them by the Province;
- submit the certificate of taxes withheld and remittance thereof, for the payment of artist brokers;
- submit written explanation on the payment of honoraria for social media expenses indicating the nature of work and the pages, websites and social media accounts that are being maintained by the PGA.

- justify why the payment of artist brokers and other similar expenses were made through cash advances.

Henceforth, Management should see to it that liquidations of cash advance are supported with complete documentation and to discontinue the practice of paying expenses out of cash advance when they could practically be paid through checks in compliance with COA Circular No. 97-002 and COA Circular 2012-001.

6. Year-end financial statements, monthly accounts and financial reports were submitted late with significant delays ranging from 56 to 437 days contrary to the provisions of Sec. 41(2) of PD 1445, Section 70 of NGAS for LGUs and Paragraph 7 of COA Circular No. 2009-006; thus, precluded the conduct of timely audit of the accounts and operations of the Provincial Government.

We recommended that Management take into consideration the following to enable the Provincial Accounting Office to render timely and relevant reports:

- direct the Internal Audit Unit (IAU) to immediately require the submission of supporting documents of claims before these are processed for payment and for the Provincial Accountant to refrain from certifying disbursements without complete documentation;
- grant cash advances to designated Special Disbursing Officers (SDOs) who will disburse the cash advances for a specific legal purpose and submit the liquidation documents for recognition in the accounting books within the time limit;
- record the local road networks based on the estimate provided by the Provincial Engineering Office; and
- ensure the submission of accounts and financial statements within the prescribed period pursuant to Section 347 of Republic Act No. 7160, Section 70 of NGAS for LGUs, Item 4 of COA Circular No. 2010-01 and Paragraph 7 of COA Circular No. 2009-006.

Furthermore, we recommended that Management include in their appropriation the installation of electronic national government accounting system (e-NGAS) which addresses not only the accounting system issues but also provide timely financial information to government executives, managers and decision makers. The Provincial Government is encouraged to implement the e-NGAS to facilitate the preparation of financial reports in line with the thrust in good governance.

7. Ninety-six disbursement vouchers (DVs) totaling ₱37,772,588.39 were not submitted for audit contrary to Section 7.2.1.a of COA Circular No. 2009-006 dated September 15, 2009; thus, the correctness of the entries made and the propriety and legality of the transactions could not be evaluated.

We recommended that Management direct the -

- Provincial Treasurer and the Provincial Accountant to submit for audit the 96 disbursement vouchers totaling ₱37,772,588.39; and
- Provincial Treasurer to pay claims based on duly certified disbursement vouchers.

Henceforth, submit all vouchers within ten days of the ensuing month in accordance with the provisions of Sec. 7.2.1 of COA Circular No. 2009-006 for timely evaluation of the disbursements.

8. The year-end balance of the Cash in Bank – Local Currency Current Account (CIB-LCCA) is misstated by an undetermined difference of ₱555,322.59 between the bank record and the General Ledger.

We recommended that Management directs the -

Provincial Treasurer to –

- follow up the copies of debit and credit memos to support the reconciling items reflected in the bank statements and immediately coordinate with the depository bank officials in case of unidentified or undocumented entries in the bank statements to ensure timely capture of such transactions in the books of accounts;
- inquire from the LBP, account number 1032-1107-42 of which the bank confirmed, but is not recorded in the books, to determine the purpose of the opening of such account and to what fund this shall be recorded by the Provincial Accounting Office;
- locate the cash book for ECCD and determine the nature of transaction of the unreconciled balance, if available, for recording in the accounting books; and
- submit the stale and cancelled checks to the Provincial Accountant immediately to revert back to cash.

Provincial Accountant to –

- draw a Journal Entry Voucher (JEV) (copy furnished the Audit Team) to record the reconciling items;
- exhaust effort to trace back from the records the undetermined discrepancy of the Cash in Bank account;

- consider requesting for write-off to COA of long outstanding discrepancies of cash in bank accounts in the accounting books.

We encouraged Management to enroll in the internet banking facility of the depository banks where an advanced copy of the bank statement may be generated to facilitate the timely preparation of bank. Any unknown credits and debits must be communicated to the bank for explanation and documentation.

Henceforth, the Provincial Accountant regularly reconcile the accounting books with the bank record to ensure that all transactions affecting Cash and its related accounts are timely, accurately and completely recorded and reported in the financial statements for a reliable basis in decision making.

9. Two contracts costing ₱44,398,570.53 funded by the DILG PRNDP were not supported with complete documentation contrary to Section 4(6) of PD No. 1445, pertinent provisions of the 2016 Revised IRR of RA No. 9184; thereby, the propriety of the contract could not be fully established.

We recommended that Management instruct the Bids and Awards Committee (BAC) to submit the required documentations, subject to audit and further verification.

Henceforth, the BAC should ensure that complete documentations required by the 2016 Revised IRR of RA 9184 and Bidding documents are included in the contracts to establish the validity, and propriety of the contract awards.

10. Disbursements under the Disaster Risk Reduction Management Fund (DRRMF) - Proper aggregating ₱11,177,826.93 were not supported with complete documentation contrary to Section 4.6 of P.D 1445 and pertinent provisions of RA 9184 and its revised IRR, thus rendering the propriety of the payments made doubtful.

We recommended that Management -

- through the Bids and Awards Committee (BAC), incorporate in its RFQ the submission of the necessary documents at a specific stage of the procurement process.
- include all procurement programs/projects in the APP. Any modification thereto particularly the resort to alternative mode of procurement should be documented through the BAC Resolution in accordance with the RIRR of RA 9184.
- the BAC should post all opportunities and awards in the PhilGEPS website, agency website and at any conspicuous place reserved for that purpose in

accordance with Section 54.3 of the Revised IRR to promote transparency in the procurement process.

- management specify the food menu in the Purchase Request (PR) and RFQ so that the reasonableness of prices could be ascertained and submit the duly accomplished attendance sheet and other necessary documentations to support the disbursements.

Henceforth, see to it that these documents are attached together with the Disbursement Vouchers (DVs) to warrant the verification of technical, legal and financial requirements of suppliers in compliance with RA 9184.

11. Purchase Requests (PRs), Request for Quotations (RFQs), Notices of Awards (NOAs), Purchase Orders (POs) and Acceptance and Inspection Reports (AIRs) were not properly accomplished and/or duly signed by signatories contrary to Section 4(5) of the PD 1445 indicating weakness in the internal control system of the procurement process.

We recommended that Management improve its internal control on procurement of goods by –

- requiring the department heads to check on the completeness and proper accomplishment of procurement documents;
- instructing the Provincial General Supply Officer (PGSO) to enforce proper and chronological accomplishment of all forms necessary in the procurement of goods;
- directing the Internal Audit Unit (IAU) to return claims with lacking signatures and necessary data on the required forms; and

We also recommended that Management submit justification on the above-mentioned lapses.

12. Major projects under the 20% Development Fund (DF) totaling ₱225,719,579.78 were not implemented contrary to DILG-DBM JMC No. 2017-01 and pertinent provisions of R.A 7160; thus, socio-economic developments from the priority development projects were not fully attained.

We recommended that Management submit -

- resolutions authorizing the utilization of the lump-sum appropriations and re-alignments, if any; and
- justification for non-implementation of the developmental programs and projects.

Moreover, the department heads concerned should implement the development projects in guidance of the DILG and DBM Joint Memorandum Circular No. 2011-1.

Henceforth, intensify and monitor closely the implementation of the proposed priority PPAs under the 20% DF to achieve more desirable socio-economic development, environmental management outcomes and a broader scope of development.

13. Utilization of the 20% Development fund totaling ₱6,714,074.22 were not in accordance with DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1; thus, the constituents were deprived of the long-term benefits that could be obtained from the mandated development projects/programs/activities.

We recommended that Management submit –

- the distribution list for the breeding stocks; and
- justification whether there is monitoring made on the dispersal of the breeding stocks.

Henceforth, Management should adhere strictly with the provisions of DILG-DBM JMC No. 2017-1 on the appropriation, utilization and programming of the 20% of the IRA for development projects. Consider utilizing the fund for projects that yield lasting benefit to the constituents of the province. Likewise, expenditures which are not investment or capital in nature like road re-gravelling be charged under the General Fund Proper.

14. The unexpended balance of the Quick Response Fund (QRF) and the Disaster Risk Reduction Management (DRRM) Fund – MOOE for CYs 2016 to 2019 totaling ₱40,806,615.42 was not transferred to the Special Trust Fund (STF) contrary to Item 5.1.10 of COA Circular No. 2012-12; thereby, funds may not be available for DRRM programs, projects and activities within the next five years.

We recommended that Management instruct the Provincial Accounting Office (PACO) to submit justification for the difference in the utilization of the fund and effect adjustments, if any. Thereafter, management should transfer the unutilized balances of MF – MOOE and Quick Response Fund for the CYs 2016 to 2019 to PDRRM Special Trust Fund pursuant to COA Circular No. 2012-12 to ensure the availability of fund to support the disaster risk reduction and management activities of the Local Disaster Risk Reduction Management Council within the next five years.

15. Regular programs/projects and activities totaling ₱3,034,434.50 that could have been funded out from the regular funds have been charged to the Provincial Disaster

Risk and Reduction Management Fund (PDRRMF) in violation of Section 5 of NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1, thereby, depriving the constituents of the additional benefits from disaster-related projects, programs and activities.

We recommended that the Provincial Governor direct the Provincial Disaster Risk Reduction Management and Budget Officers to charge regular maintenance and other operating expenses to the respective appropriate funds. Management should strictly utilize the LDRRMF for implementation of DRRM Programs, project and activities specifically identified under the NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 to strengthen the capacity of the provincial government to build disaster resilience of communities and institutionalize measures for reducing disaster risks and enhance disaster preparedness and response capabilities among the constituents.

16. The reported year-end balance of Welfare Goods for Distribution representing purchases of relief goods totaling ₱3,029,886.69 could not be ascertained whether actually received by the beneficiaries due to non-submission of Inventory List of Items for Disaster Risk Reduction Management (DRRM) as prescribed under COA Circular No. 2014-002 dated April 15, 2014. Likewise, purchase of rice for distribution amounting to ₱62,500.00 was charged directly to DRRM – Trust Liability without any proof of issuance to designated recipients.

We recommended that the Provincial Governor requires its staff to submit the Distribution List to serve as the basis of the Provincial Accounting Office in the recording of the necessary adjustment in the books. Henceforth, the Provincial General Services Office should coordinate with the Provincial Accounting Office to reconcile the results of the inventory count with the accounting record every semester, investigate discrepancies noted and effect immediately the necessary adjustments

17. Government shares and funds withheld from the employees' compensation for GSIS during the CY 2019 totaling ₱31,911,423.01 were not remitted intact contrary to the provisions of RA No. 8291, thus, resulting in a net under (over) remittance of ₱34,008.88 during the year and abnormal balance of the Due to GSIS account of ₱2,409,850.14 as of year-end. Also, the amount of ₱1,369,877.21 was remitted late contrary to pertinent rules and regulations, thus, may incur penalties and affect the employees' availment of their benefits.

We recommended that Management direct the Personnel Services Division (PSD) to prepare the recommended worksheet detailing the names of employees and the actual GSIS withholdings starting from CY 2019 and backwards to be appended by the Provincial Accounting Office (PACO) the actual remittances made to trace the individuals who were under/over withheld and use it as basis in determining the appropriate action to be employed.

The PACO shall analyze the Due to GSIS account by utilizing the worksheet prepared and effect the necessary adjusting entries to reflect the correct account balance in the financial statements.

Henceforth, the PACO should furnish the PSD a copy of the Remittance List generated from the GSIS system before the payroll preparation as basis in the withholding of premiums, contributions and others to prevent over/under deductions. The ICO- Provincial Treasurer should remit all premiums and funds withheld from the employees' compensation within the time prescribed by laws, rules and regulations to avoid possible imposition of sanctions by the GSIS.

18. Transactions aggregating ₱7,180,000.00 were not subjected to withholding taxes contrary to Section 37(C) of Republic Act No. 10963 also known as the TRAIN Law and Revenue Regulation 11-2018 Section 2(A) and (J), thus, exposing the government to risk of tax delinquencies and revenue loss.

We recommended that Management submit justification on why taxes were not withheld on payments made to various suppliers.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

The unsettled suspensions and disallowances of the Province under the Revised Rules and Procedures on the Settlement of Accounts (RRSA) as of December 31, 2019 amounted to ₱54,238,147.73 and ₱46,692,355.81, respectively. The disallowances aggregating ₱40,026,967.74 are currently under appeal. In addition, unsettled and un-booked disallowances pertaining to previous administration before the effectivity of the RRSA amounted to ₱7,235,065.78.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 212 audit recommendations in the CYs 2013 to 2018 Annual Audit Reports, 35 or 16.51 percent were implemented, 87 or 41.04 percent were partially implemented and 90 or 42.45 percent were not acted upon.