

EXECUTIVE SUMMARY

I. Introduction

Agency Profile

The Province of Negros Occidental is a first class Province whose economy is mainly agricultural. Its strategic development plan is anchored on self-reliance and self-sufficiency to change the landscape of poverty into prosperity thru the provincial government's executive development agenda, ABANSE Negrense.

ABANSE Negrense stands for **A**gricultural Competitiveness Improvement and **F**ood Security, **B**uilding of Roads, Bridges and Other Vital Infrastructure, **A**dvancement of Economic, Trade, Investment and Employment Opportunities, **N**urturing of People's Health and Welfare and Ensuring Peace and Order and Public Safety, **S**ustainable Environment Management and Tourism Development, **E**nhancement of Access to Quality Education, Cultural, Sports and ICT Development, and **N**egrense Brand of Good Governance and Human Development anchored on the principles of Sustainable Development and the attainment of the total human potential of all Negrenses.

Negros Occidental continues to uphold its vision as an "Empowered and healthy Negrense in a globally-competitive, ecologically balanced and peaceful Negros Occidental under a responsive and accountable governance." It is the solar and organic agriculture capital of the Philippines and dubbed as the "Land of Sweet Surprises."

In 2018, Negros Occidental was adjudged by the DILG as the "Best Performing Province in Western Visayas" and vows to continue its programs and projects that promote transparency and public accountability.

II. Financial Highlights

a) Assets, Liabilities, Equity, Income and Expense

For CY 2020, total assets of the Province is ₱17,170,105,191.04, while total liabilities is ₱7,115,326,341.19 and Government Equity is ₱10,054,778,849.85.

Liquidity ratios measure the ability of the Province to meet its short-term obligations, thus, as shown below, it is less likely to fall into financial difficulties. Financial leverage, likewise, measures the Province's financial solvency and dependency upon its borrowings. The debt-to-equity ratio below gives indication that the Province has got enough financial resources to cover its financial obligations:

	<u>2020</u>	<u>2019</u>
Current Ratio	1.79:1	1.70:1
Quick Assets Ratio	1.71:1	1.61:1
Debt-to-Equity Ratio	0.71:1	0.81:1
Net Working Capital	₱ 3,659,898,366.33	₱ 3,334,234,457.56

Profitability ratios measure the Province's ability to generate earnings relative to its assets and equity. The following ratios highlight how the Province managed its profitability effectively:

	<u>2020</u>
Operating Income	0.26:1
Net Income	0.22:1
Return on Total Assets	0.06:1

(b) Sources and Application of Funds

The Province generated total revenue of ₱4,647,089,540.85 in CY 2020 which is 9.78% higher than last year's ₱4,233,110,132.53. The bulk of increase came from the share from Internal Revenue Allotment of ₱421,447,416.

This year's operating expenses of ₱3,438,094,336.16 consists of ₱1,602,620,701.59 for Personnel Services, ₱1,482,978,804.19 for Maintenance and Other Operating Expenses, ₱269,802,728.34 for Non-Cash Expenses and ₱82,692,102.04 for Financial Expenses.

Total current operating expenditures of ₱3,438,094,336.16 increased by 10.05% or ₱314,024,258.15 from ₱3,124,070,078.01 in 2019. This is due to increases of ₱311,302,825.12 or 26.57% for Maintenance and Other Operating Expenses, ₱67,261,261.44 or 33.21% for Non-Cash Expenses and ₱10,709,105.46 or 14.88% for Financial Expenses.

c) Appropriations

The Province has total appropriations of ₱5,446,412,104.01 for CY 2020 consist of current and continuing amounting to ₱4,987,060,391.46 and ₱459,351,712.55 respectively. Details are broken down as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
Current			
General Fund	₱ 4,793,336,431.41	₱ 5,215,389,444.67	₱ (422,053,013.26)
SEF	193,723,960.05	175,137,300.00	18,586,660.05
Sub-Total	4,987,060,391.46	5,390,526,744.67	(403,466,353.21)
Continuing			
General Fund	385,359,922.55	643,460,952.99	(258,101,030.44)
SEF	73,991,790.00	59,878,902.80	14,112,887.20
Sub-Total	459,351,712.55	703,339,855.79	(243,988,143.24)
Total	₱ 5,446,412,104.01	₱ 6,093,866,600.46	₱ (647,454,496.45)

d) Obligations

During the year, the Province incurred total obligations ₱3,799,355,390.18 consisting of ₱3,685,781,532.04 and ₱113,573,858.14 for the current and continuing, respectively.

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
Current			
General Fund	₱ 3,603,501,418.50	₱ 3,449,036,143.32	₱ 154,465,275.18
SEF	82,280,113.54	61,673,193.10	20,606,920.44
Sub-Total	3,685,781,532.04	3,510,709,336.42	175,072,195.62
Continuing			
General Fund	113,573,858.14	144,336,867.39	(30,763,009.25)
SEF	-	-	-
Sub-Total	113,573,858.14	144,336,867.39	(30,763,009.25)
Total	₱ 3,799,355,390.18	₱ 3,655,046,203.81	₱ 144,309,186.37

III. Scope of Audit

A financial and compliance audit was conducted to ascertain the propriety of financial transactions and compliance with 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 verification of the implementation of prior years' audit recommendations was also undertaken.

In compliance with unnumbered Memorandum dated October 15, 2020 of the Assistant Commissioner, Local Government Sector, COA, Quezon City, the following are the significant thrust areas that were looked into by the Audit Team:

A. Financial and Compliance Audit

- COVID 19 Fund receipts, allocation and utilization
- Cash and Cash Equivalents
- 20% Development Fund
- Local Disaster Risk Reduction Management Fund (LDRRMF)

Based on Audit Teams assessment on Agency's accounts, the following areas were also covered in audit.

- Advances to Officers and Employees and Special Disbursing Officers
- Inventory of Property, Plant and Equipment
- Procurement

A performance audit was likewise conducted on the Philippine Rural Development Projects (PRDP) to determine whether the projects were implemented economically, efficiently and effectively.

However, due to time constraint, audit of Gender and Development (GAD) were not conducted.

IV. Auditor's Opinion on the Financial Statements

The Auditor rendered a Qualified Opinion on the financial statements of the Province of Negros Occidental for the year ended December 31, 2020, due the exceptions as stated in the Independent Auditor's Report and as discussed in Part II of the report.

Summary of Significant Observations and Recommendations

- 1. The Provincial Government conducted only partial physical inventory totaling ₱444,557,791.80 of its ₱8,577,949,072.58 recorded Property, Plant and Equipment (PPEs) as of December 31, 2020, while no physical inventory was conducted for Investment Property of ₱32,439,080.00 and Biological Assets of ₱121,562,520.39 in CY 2020, contrary to Section 124, of the MNGAS for Local Government Units (LGUs) Volume I, thereby rendering the accounts doubtful.**

We recommended that:

- a) The Provincial Governor direct the Provincial Inventory Committee (Internal Audit Division) to conduct yearly physical count of properties and submit a complete Report on the Physical Count of PPEs (RPCPPE) of PPEs, Investment Property and Biological Assets pursuant to Section 124, of the MNGAS for Local Government Units (LGUs) Volume I;
 - b) The Acting Provincial Accountant and the Provincial GSO undertake the immediate reconciliation of their records in as much as this deficiency has long been reported in the Annual Audit Report; and
 - c) The Provincial Inventory Committee ensure that the Physical Inventory Report must contain sufficient and actual information on items counted as to complete description, condition, whether serviceable or unserviceable, number of items counted and specify whether there is an overage or shortage.
- 2. Advances to Officers and Employees and Special Disbursing Officers (SDO) totalling ₱62,873,624.52 remained unsettled as of December 31, 2020 contrary to the provisions of Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002 dated February 10, 1997, thus causing doubts on the correctness of the receivable account and the propriety of the cash advances.**

We recommended that the Provincial Governor and/or the Provincial Accountant:

- a) Demand immediate liquidation/settlement of unliquidated cash advances pursuant to Item 6.0 of COA Circular No. 2012-004.

- b) Strictly impose the liquidation of cash advances granted to officers and employees and Special Disbursing Officer within the prescribed period pursuant to Section 89 of PD 1445 and 5.1 of COA Circular No. 97-002 dated February 10, 1997. Otherwise, cause the withholding of salaries from those in active service after the prescribed period has elapsed.
- c) Conduct periodic evaluation and validation of all unliquidated cash advances. If necessary, request for the write off of dormant cash advances specifically those advances which have been outstanding for 10 years and over following the procedures of COA Circular No. 2016-005 dated December 19, 2016.

3. An employee of PTO falsified the duplicate copies of OR-Accountable Form (AF 51) issued to suppliers/contractors for sale of bid documents, in violation of the Government Accounting Manual and the Revised Penal Code.

We recommended that the Provincial Governor:

- a) File appropriate criminal and/or administrative charges against Mrs. Jasmin G. Fegidero since the evidence gathered sufficiently indicate irregularities committed by the Accountable Officer which is punishable under Articles 171 and 217 in relation to Article 48 of the Revised Penal Code;
- b) Direct the Review Division of the PTO to include as its additional function to verify that all copies of each receipt shall be the exact copy of the duplicate/triplicate copies in all respects of the original OR pursuant to Section 73 of GAAM Volume I; and
- c) Also, instruct said division to ascertain that the data indicated in the Order of Payment, specifically receipts from the sale of bid documents or other payments covered by an OP are exactly the same with the OR issued for the purpose.

4. Longitudinal cracks which cause the removal of concrete pavement consisting of 85 lineal meters during the Construction of Sagay Feeder Port/Fish Landing could have been avoided had the Site Engineer closely monitored the project implementation, thus delaying the completion of the project.

We recommended that the Governor:

- a) Issue warning to the contractor who have incurred negative slippage and require them to come up with a revised detailed catch-up program with weekly physical targets pursuant to the guidelines set-forth under GPPB Circular No. 03-2019 dated March 8, 2019;
- b) Impose upon the contractor liquidated damages equivalent to one-tenth of one (1) percent of the cost of the unperformed portion of works for every day of delay; and

- c) Require the Site Engineer to closely supervise the project.

5. Implementation of the Rehabilitation of Piggery Buildings and Construction of Feedmill Building (Negros Swine Integrated Enterprise) with a total contract cost of ₱15,641,503.54 under the I-Reap component of PRDP revealed several deficiencies in the planning and implementation phase.

We recommended that the Provincial Governor:

- a) Direct the Implementing Office/Project Engineer to avoid variation in the plan unless changes are extremely needed; and
- b) Require the contractor to make the necessary corrections on the deficiencies noted by the personnel of the PVO and Project Management and Support Services Division as soon as possible.

6. Four infrastructure contracts totalling ₱31,951,936.83 were charged against lump-sum appropriations without prior authority from the Sangguniang Panlalawigan (SP)) contrary to the decision of the Supreme Court in Quisumbing et al. vs. Garcia et al., G.R. No. 175527.

We recommended that the Governor:

- a) Request from the SP for an authority to charge generic-termed infrastructure projects against lump-sum appropriations under the 20% Development Fund for CY 2020; and
- b) Specify in sufficient detail the projects to be funded under the 20% Development Fund so that the Provincial Governor could implement the projects based on the timelines indicated in the plan.

Status of Implementation of Prior Years' Audit Recommendations

Of the 37 audit recommendations contained in the prior years' Audit Reports, three were fully implemented, 17 were partially implemented and 17 were not implemented.