

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 **Negrense** 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 2019, total assets of the Province is ₱15,901,321,263.56, while total liabilities is ₱7,104,048,178.46 and Government Equity is ₱8,797,273,085.10.

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>2019</u>	<u>2018</u>
Current Ratio	1.70:1	1.72:1
Quick Assets Ratio	1.61:1	1.66:1
Debt-to-Equity Ratio	0.81:1	0.68:1
Net Working Capital	₱ 3,334,234,457.56	₱ 2,991,455,577.24

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>2019</u>
Operating Income	0.26:1
Net Income	0.17:1
Return on Total Assets	0.04:1

(b) Sources and Application of Funds

The Province generated total revenue of ₱4,233,110,132.53 in CY 2019 which is 8.71% higher than last year's ₱3,894,013,345.53. The bulk of increase came from the share from Internal Revenue Allotment of ₱266,299,328.00, Tax Revenues, Other Shares from National Taxes and Shares, Grants and Donations aggregate ₱112,852,930.42.

This year's operating expenses of ₱3,124,070,078.01 consists of ₱1,677,869,635.46 for Personnel Services, ₱1,171,675,979.07 for Maintenance and Other Operating Expenses, ₱202,541,466.90 for Non-Cash Expenses and ₱71,982,996.58 for Financial Expenses.

Total current operating expenditures of ₱3,124,070,078.01 increased by 14.19% or ₱388,268,991.06 from ₱2,735,801,086.95 in 2018. This is due to increases of ₱149,726,435.29 or 38.56% for Personnel Services, ₱144,664,795.02 or 37.26% for Maintenance and Other Operating Expenses, ₱72,241,400.80 or 18.61% for Non-Cash Expenses and ₱21,636,359.95 or 5.57% for Financial Expenses.

c) Appropriations

The Province has total appropriations of ₱6,093,866,600.46 for CY 2019 consisting of ₱5,858,850,397.66 for the General Fund and ₱235,016,202.80 for Special Education Fund broken down as follows:

	<u>Gen. Fund</u>	<u>SEF</u>	<u>Total</u>
Current			
Personal Services	₱ 1,944,062,227.62	₱ 2,864,247.00	₱ 1,946,926,474.62
MOOE	1,914,478,670.66	86,687,965.00	2,001,166,635.66
Capital Outlay	1,258,602,951.69	85,585,088.00	1,344,188,039.69
Financial Expenses	98,245,594.70	-	98,245,594.70
Sub-Total	5,215,389,444.67	175,137,300.00	5,390,526,744.67
Continuing	643,460,952.99	59,878,902.80	703,339,855.79
Total	₱ 5,858,850,397.66	₱ 235,016,202.80	₱ 6,093,866,600.46

d) Obligations

During the year, the Province incurred total obligations ₱5,070,448,419.20 consisting of ₱4,897,962,299.40 and ₱172,486,119.80 for the General and Special Education Funds, respectively.

	<u>Gen. Fund</u>	<u>SEF</u>	<u>Total</u>
Personal Services	₱ 1,684,907,944.19	₱ 713,232.83	₱ 1,685,621,177.02
MOOE	1,621,265,468.10	76,589,052.00	1,697,854,520.10
Capital Outlay	1,519,598,142.25	95,183,834.97	1,614,781,977.22
Financial Expenses	72,190,744.86	-	72,190,744.86
Total	₱ 4,897,962,299.40	₱ 172,486,119.80	₱ 5,070,448,419.20

Appropriations and Obligations incurred out of the Capital Outlay – Continuing Appropriations for the year is ₱643,460,952.99 and ₱414,655,016.09, respectively, leaving a balance of ₱228,805,936.90 for General Fund, while ₱59,878,902.80 and ₱33,958,951.10, leaving a balance of ₱25,919,951.70 for Special Education Fund.

III. Scope of Audit

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

In compliance with unnumbered Memorandum dated July 3, 2019 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. Audit of Financial Statements

1. Cash and Cash Equivalents
2. Financial Liabilities accounts, particularly Loans Payable
3. Due from NGOs/POs and Other LGUs

B. Performance and Compliance Audit

1. Fund Transfers from National Government Agencies (NGAs) to Local Government Units (LGUs) - PAMANA
2. 20% Development Fund
3. Local Disaster Risk Reduction Management Fund (LDRRMF)
4. Solid Waste Management

A performance audit was likewise conducted on the project funded by the 20% Development Fund and Transfers from NGAs to determine whether the projects were implemented economically, efficiently and effectively. Further, evaluation was conducted on the waste management and disposal system of District Hospitals.

However, due to time constraint, evaluation and inspection of Local Disaster Risk Reduction Management Fund (LDRRMF) and Gender and Development (GAD) were not conducted.

IV. Auditor's Opinion on the Financial Statements

The Auditor rendered a Qualified Opinion on the fairness of presentation of the accompanying consolidated financial statements of the Province of Negros Occidental as of December 31, 2019, due the balance of Advances to Officers and Employees amounting to ₱70,899,870.22 which remained unliquidated as of year-end.

Summary of Significant Observations and Recommendations

- 1. Shares of other LGUs from taxes on Sand and Gravel and Other Quarry Resources and Real Property Tax (RPT) in the total amount of ₱32,655,018.90 collected by the Provincial Government (PG) were not remitted promptly to various cities, municipalities and barangays, thus, depriving them of additional income that could have been utilized to fund various projects for the benefit of the constituents. Furthermore, the balance of the account includes barangay share on sand and gravel whose names and corresponding shares were recorded under different city/municipality, thereby casting doubt on the reliability of Subsidiary Ledger (SL) balances.**

We recommended that:

- (a) The Provincial Treasurer assign personnel to the PTO to retrieve/locate official receipts and abstract of collections so that the remittance vouchers could be prepared. In case, the documents could not be found, the PTO remit the unremitted collections based on the balances of SL.
 - (b) The Provincial Accountant reconcile the SL of barangay shares on sand and gravel and ensure that barangay shares on sand and gravel are recorded or reflected in the correct name of barangay.
- 2. Ten of the 12 infrastructure projects under the PAMANA program with total allocation of ₱47,000,000.00 remained unimplemented, thereby depriving the intended beneficiaries of the benefits that could have been derived from such projects had these projects were fully implemented.**

We recommended that the Provincial Governor:

- (a) Instruct the Provincial Environment Management Officer (PEMO) to coordinate with the DENR for the execution of MOA between DENR, OPAPP and the local communities for other projects not yet implemented with problems on the project sites for PAMANA projects;
- (b) Request realignment of unimplemented projects from the DILG in case the above PAMANA projects could not be carried out due to some prohibitions on the proposed project sites; and

- (c) Direct all officials involved in the project identification under the PAMANA program to closely coordinate with the DENR on the selection of the proposed project sites to consider areas whose communities have already acquired tenurial instruments or have already secured CBFMA from the DENR to ensure prompt implementation of all PAMANA projects.

3. Advances to Officers and Employees and Special Disbursing Officers (SDO) totaling ₱70,899,870.22 remain unsettled as of December 31, 2019 contrary to the provisions of Section 89 of Presidential Decree (PD) No. 1445 and COA Circular No. 97-002 dated February 10, 1997.

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 for those granted before December 31, 2011;
- (b) Strictly impose the liquidation of cash advances granted to officers and employees and Special Disbursing Officer within the prescribed period pursuant to Sections 89 of PD No. 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) Send the bill to personnel working in other government agencies by demanding liquidation or refund of their outstanding cash advances. Make representation with this regard to the Accountant and the Head of Agency;
- (d) 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; and
- (e) Make representation with ICFAU, Office of the Chairman for the issuance of credit notices for cash advances granted for Confidential/Intelligence Fund so appropriate adjustment could be undertaken in the books for fair presentation of the asset and equity accounts in the financial statements.

4. Two revenue-generating projects with a total cost of ₱217,411,075.45 implemented in CY 2016 and completed in CY 2018 remained unoperational at year-end, thereby depriving the province of additional income that could have been derived had these projects been operational.

We recommended that the Provincial Government expedite the acquisition and installation of necessary facilities such as installation of elevator, pressure system, furniture and fixtures and installation of air-conditioning system to enable the two projects to operate as soon as possible.

5. **The Contractor was not able to continue the execution of the project Negros First Global Institute of Technology (NFGIT) School Campus due to the problem on project location, thereby delaying its completion and adversely affecting the achievement of the goals and objectives of the project.**

We recommended that the Provincial Government look for appropriate site for the construction of Negros First Global Institute of Technology, fast-track the acquisition of the land for said project and immediately notify the contractor so that the implementation of the said project will commence without delay.

Summary of Audit Suspensions, Disallowances and Charges

During the year, the Province of Negros Occidental issued Notices of Disallowance in the total amount of ₱62,621,439.31 on the 2017, Incentive Benefits for Exemplary Service (IBES). The balance as of December 31, 2018 totaled ₱118,723,143.33, with no settlement during the year, leaving a total outstanding balance of ₱181,344,582.64 as of December 31, 2019.

Of the total disallowances of ₱181,344,582.64, ₱118,056,404.11 is under appeal. The persons liable filed an appeal with the Office of the Director, COA RSAO-NIS, on December 19, 2019

Total suspension amounted to ₱277,039,934.49 as of December 31, 2019.

Status of Implementation of Prior Years' Audit Recommendations

Of the 33 audit recommendations contained in the prior years' Audit Reports, 6 were fully implemented, 13 were partially implemented and 14 were not implemented.