

## EXECUTIVE SUMMARY

### A. Introduction

The Province had a total of 841 plantilla positions that are distributed accordingly to man the 26 departments. As of December 31, 2018, there are 751 existing personnel and 90 vacant positions due to retirement, transfer and promotion of incumbent employees.

A financial and compliance audit was conducted on the accounts and operations of the Province of Kalinga for CY 2018 to ascertain the fairness of presentation of the financial statements and the agency's compliance to laws, rules and regulations. A value for money audit was included to determine whether plans and programs have been carried out in an economical, efficient and effective manner.

Pursuant to COA Resolution No. 2011-009 dated October 20, 2011, the integrated results and risk based audit methodology was adopted, The audit was focused on the various audit thrusts issued by the Local Government Sector of the Commission on Audit.

### B. Financial Highlights

The Province maintains three funds; namely, General, Special Education and Trust.

The comparative analysis of the Agency's Financial Position and Performance for Calendar Years 2018 and 2017 are as follows:

Account	CY 2018	CY 2017	Increase (Decrease)	%
Assets	₱ 2,076,118,165.85	₱1,726,511,730.28	₱349,606,435.57	20.25%
Liabilities	888,476,325.17	705,846,465.78	182,629,859.39	25.87%
Government Equity	1,187,641,840.68	1,020,665,264.50	166,976,576.18	16.36%
Income	1,075,777,574.41	1,001,375,866.27	74,401,708.14	07.43%
Expenses	812,476,499.41	729,009,877.50	83,466,621.91	11.45%

The comparative presentation of Appropriation, Allotment and Obligation for the current and prior year is as follows:

	CY 2018	CY 2017	Increase (Decrease)	%
Appropriation	1,209,410,784.20	₱ 1,039,826,478.33	169,584,305.87	16.31%
Allotment	1,209,410,784.20	1,039,826,478.33	169,584,305.87	16.31%
Obligation	1,030,328,939.51	789,036,231.03	241,292,708.48	30.58%

The main source of income is the Internal Revenue Allotment (IRA) comprising 79.05% of the total annual revenue. The remaining 20.95% consists of local taxes, permits and licenses, service fees, business income and other income.

### **C. Independent Auditor's Report on the Financial Statements**

We rendered a qualified opinion on the fairness of presentation of the financial statements due to various accounting errors and deficiencies resulting in the understatement of Asset and Equity by ₱101,228,349.66 and ₱232,508,865.62, respectively, and the overstatement of Liabilities by ₱131,280,515.96 .

### **D. Summary of Significant Observations and Recommendations**

1. The procurement reports of the Provincial Government were not submitted to the Government Procurement Policy Board (GPPB) contrary to the IRR of Executive Order No. 662, as amended and pertinent provisions of the 2016 Revised IRR of RA No. 9184 or the Government Procurement Reform Act while the Annual Procurement Plan for Common Supplies and Equipment (APP-CSE) for CY 2019 was not submitted to the DBM Procurement Service as prescribed by Memorandum Circular PS-01-2018.

We recommended that the BAC Secretariat for Infrastructure, Goods and Office on Health Services to prepare the reports accurately in accordance with the forms prescribed by the GPPB and for the BAC to submit the same to GPPB.

We further recommended that the BAC submit a copy of the Annual Procurement Plan for Common Supplies and Equipment (APP-CSE) for CY 2019 to the DBM Procurement Service.

2. Project Procurement Management Plans were not properly consolidated, thus, procurements for supplies and equipment were processed by department contrary to pertinent provisions of RA No. 9184.

We recommended that:

- a) the Bids and Awards Committee:
  - i. consolidate procurement activities on commonly used supplies and equipment;
  - ii. resort to alternative modes of procurement only in exceptional cases
  - iii. provide the various Offices with the list of all possible items to be procured including the cost in order to facilitate consolidation of the APP. The list and cost of common-use supplies and equipment may be based on DBM-PS

while the cost of other supplies and equipment may be based on the latest canvass made.

- b) the General Services Officer purchase a procurement system to be used in the monitoring of purchases vis-à-vis the PPMP. In the meantime, the employee concerned should maintain ledgers either manually or using excel to monitor the same.
  - c) The Budget Office provide a softcopy and hardcopy of the PPMP form to all offices which should be appended to their budget proposals. The PPMP should contain all procurement activities for the year either Maintenance and Other Operating Expenses (MOOE) or Capital Outlay (CO).
3. Management was not able to meet timelines prescribed under the I-BUILD Operations Manual dated May 31, 2016 due to the prolonged time gaps in the bidding process.

We recommended that management observe the period of action on the entire bidding process and to comply with the provisions of the IMA and the I-BUILD Operations Manual and to submit the approved variation orders and time extensions on the on-going projects for validation by the audit team.

4. Slow implementation of priority programs/projects/activities totaling ₱101,629,726.38 under the 20% development fund hindered the full attainment of the fund's goals and objectives. Further, all procurements were done thru public bidding regardless of amount resulting in prolonged procurement process.

We recommended that management:

- a. Facilitate the completion and implementation of the programs/projects/activities to minimize the growing number of continuing allotments.
  - b. Fill up the vacant positions in the engineering office to augment the present workforce so that the technical component of each project may be prepared on time.
  - c. Accelerate the publication and awarding of the priority programs/projects/activities by considering the use of the other modes of procurement when warranted.
5. Delay in completion/non-implementation of eight awarded priority projects totaling ₱16,711,733.71 funded under the 20% Development Fund hampered the delivery of desired benefits to target beneficiaries due to inadequate supervision by concerned project engineers.

We reiterated our previous recommendation that:

- a. The project inspectors perform regular and thorough monitoring and supervision of all projects to ensure that construction works are implemented within the contract schedule and in accordance with the other terms of the contract.
  - b. The Project Engineer recommend the issuance of time extensions and suspension orders under reasonable and necessary circumstances, and the rescission/ termination of the contract when warranted.
6. Two contracts overlapped with existing or on-going projects by other implementing agencies because these were not considered in the planning phase; and insufficient supervision and monitoring during the implementation phase and deficient evaluation of the actual accomplishments of four (4) infrastructure projects by the assigned project engineer and inspectorate team resulted to deficiencies totaling ₱2,720,613.81.

We recommended that Management:

- a. Consider in the planning phase the identification of any existing or proposed projects of other agencies that cover the same area or station limits.
  - b. Verify the actual accomplishments reported by contractors to ensure that construction works are in accordance with the terms of the contract and the claims for payment are correct.
  - c. Require the concerned contractors to rectify the noted project deficiencies or refund the cost of the deficiencies or deduct the amounts from any retention money fee due them or other securities posted by them.
  - d. Recommend for blacklisting those contractors who incurred more than 15% negative slippage on completed projects.
7. The CPAD Building in Catao, Lacnog costing ₱98,590.07 showed that despite its completion, it cannot be utilized since the fund allotted was not sufficient to complete the building into a usable and operational structure.

We recommended that management appropriate additional funds to complete the CPAD building into a usable structure so as not to waste the space and funds already spent for the project.

We further recommended that the Provincial Development Council and the Local Finance Committee should properly coordinate to ensure that identified priority projects provided with sufficient funds to complete the projects into usable and operational structure.

8. The poor management of receivables resulted in long outstanding, past due and/or dormant receivables from employees, private individuals and NGOs/POs in the amount of ₱5,768,181.02.

We recommended that management through the offices concerned:

- 1) Demand collection of all due and demandable receivable accounts
  - 2) Analyze the accounts then request for authority to write off of those accounts that meet the criteria and adjust accordingly the negative receivable accounts.
  - 3) Formulate and adopt guidelines on sales on account, loan releases, due from other LGUs and other receivables including the collection procedures and strategies and the remedies that may be availed of in case of delinquencies.
9. The existence and condition of various LGU property cannot be established because the Inventory Committee did not conduct a complete physical inventory of its Property, Plant and Equipment (PPE) and the General Service Officer (GSO) did not prepare the required property cards.

We recommended that the Inventory Committee complete the conduct of physical inventory taking of all PPE accounts, prepare the RPCPPE and submit a copy of the Report to the Provincial Accountant for reconciliation and updating of the accounting records. We further recommended that the GSO attend to the maintenance of the required property cards.

10. Higher revenues could have been generated by the province had there been adequate strategies and monitoring of collections from local taxes, fees and charges.

We recommended that the:

1. Provincial Assessor update the Schedule of Fair Market Values of real properties to be used in the General Revision of Assessment and Property Classification.
  2. Provincial Treasurer:
    - a) Consolidate the list of delinquent Real Property Taxpayers and publish the Notice of Delinquency pursuant to Section 254 of the Local Government Code; and
    - b) Maintain and update annually, a master list of individuals or entities subject to other provincial taxes for issuance of collection notices, if warranted.
11. Surcharges and penalties were not imposed on late payment of other taxes and fees contrary to Chapter VI, Section 6A.04-05 of the Revenue Code.

We recommended that the Provincial Treasurer enjoin the collecting officers to collect interest, surcharges and penalties, for late payments of taxes, fees, charges and other receipts.

12. Inconsistencies and other deficiencies were noted in the assessment and collection of other taxes and fees due to lack of specific guidelines or Manual of Operations.

We recommended that management:

- a) Formulate guidelines or develop a Manual of operations for the collection of taxes, fees, charges and other receipts.
  - b) consider the procurement of a “Collection and/or Disbursement System” with the necessary technical specifications to streamline the collection process and improve monitoring of actual collections vis-à-vis targets;
  - c) revise the Citizen’s Charter to include lacking information or provisions;
  - d) require the employee preparing the Monitoring Report of Collections to present each and every revenue source identified in the Revenue Code.
13. Hiring of job orders totaling 437 and 62 contract of service workers in CY 2018 was not supported by a human resources plan and/or guidelines to justify the exigency of their services as well as the reasonableness of related expenditures.

We recommended that:

- a. Management through the offices concerned fill up vacant plantilla positions to minimize the hiring of job orders and contract of service workers.
  - b. The concerned legislative officials adopt a human resource plan to regulate the hiring of workers through job order.
14. Taxes withheld from suppliers and contractors for the implementation of PRDP projects were not remitted to the BIR within the period prescribed under Revenue Regulation 11-2018 dated January 31, 2018.

We recommended that the Provincial Accountant ensure that taxes withheld for the month are remitted to the BIR on or before the 10<sup>th</sup> day of the ensuing month.

15. Programs/activities/projects identified in the 2018 Gender and Development Plan and Budget totaling ₱33,500,000.00 to address gender issues were not included/insufficiently provided in the 2018 annual budget.

We recommended that the Local Finance Committee ensure that GAD identified PPAs are provided with corresponding budgetary allocations and to ensure that these PPAs are reflected in the Local Expenditure Program (LEP) and the Budget Expenditure and Sources of Financing (BESF) to facilitate validation and monitoring thereof.

#### **E. Status of Suspensions, Disallowances and Charges**

As of December 31, 2018, the status of suspensions, disallowances and charges are as follows:

	Suspensions	Disallowances	Charges
<b>Issued Prior to RRSA:</b>	₱ -0-	₱ 3,957,631.10	₱ -0-
Less: Settlement during the year:	-0-	24,700.00	-0-
<b>Balance, end</b>	<b>-0-</b>	<b>₱ 3,932,931.10</b>	<b>-0-</b>
<b>Issued after RRSA (SASDC)</b>			
Beginning Balance	₱ 14,612,643.99	₱ 68,214,155.28	-0-
Add: Issued during the year	8,874,238.34	787,530.41	-0-
Less: Settled during the year	(5,061,216.05)	(8,752,581.12)	-0-
<b>Balance, End</b>	<b>₱ 18,425,666.28</b>	<b>₱ 60,249,104.57</b>	<b>-0-</b>
<b>Total</b>	<b>₱ 18,425,666.28</b>	<b>₱64,182,035.67</b>	<b>-0-</b>

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

Out of the 49 audit recommendations embodied in the CY 2017 Annual Audit Report, 19 were fully implemented, 18 were partially implemented and 12 were not implemented.