



Republic of the Philippines

EXECUTIVE SUMMARY

GOVERNMENT OF ILOCOS NORTE
DOCUMENT TRACKING SYSTEM



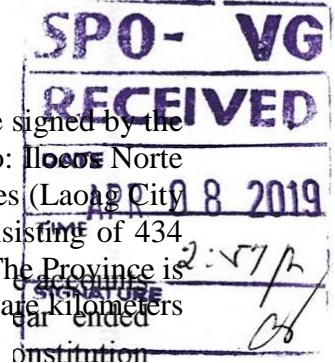
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A. INTRODUCTION

The Province of Ilocos Norte was created by virtue of Royal Decree signed by the Solicitor General on February 2, 1818, dividing the Ilocos Region into two: Ilocos Norte and Ilocos Sur. It has two congressional districts with two component cities (Laoag City and Batac City) and 21 municipalities with a total of 557 barangays, consisting of 434 barangays from the municipalities and 123 barangays from the two cities. The Province is situated at the northwestern part of Luzon with a land area of 3,622.91 square kilometers north of Manila.



The Province is under the vibrant and energetic leadership of Honorable Governor Imee R. Marcos, assisted by the Vice Governor Angelo M. Barba and 12 Sangguniang Panlalawigan Members. There are 1,265 working force distributed in the 33 offices which include a tertiary hospital, five district hospitals and three special offices to assist in the implementation of the Honorable Governor's vision "Paspas Dur-as". The Province is currently working for the attainment of its objective, Ilocos Norte will become the best little province in the country in 2020 (IN2020).

B. FINANCIAL HIGHLIGHTS

Comparative financial highlights of the Province of Ilocos Norte for the calendar years 2018 and 2017 are as follows:

ACCOUNTS	2018	2017	Increase (Decrease)	%Increase (Decrease)
Assets	5,636,243,917.17	3,164,149,842.75	2,472,094,074.42	78.13
Liabilities	1,057,943,452.53	961,772,407.52	96,171,045.01	10.00
Government Equity	4,578,300,464.64	2,202,377,435.23	2,375,923,029.41	107.88

SOURCES OF FUNDS	2018	2017	Increase (Decrease)	% Increase (Decrease)
Tax Revenue	191,700,973.36	176,547,778.80	15,153,194.56	8.58
Gen. Income Accounts	2,204,819,426.04	1,201,448,539.67	1,003,370,886.37	83.51
Total Income	2,396,520,399.40	1,377,996,318.47	1,018,524,080.93	73.91

APPLICATION OF FUNDS	2018	2017	Increase (Decrease)	%Increase (Decrease)
Personal Services	358,133,445.17	328,453,135.00	29,680,310.17	9.04
MOOE	556,060,809.29	751,916,853.19	(195,856,043.90)	(26.05)
Non-Cash Expenses	186,534,096.97	123,534,236.47	62,999,860.50	51.00
Direct Costs	108,596.89	0.00	108,596.89	n/a
Financial Expenses	15,566,329.58	18,765,609.86	(3,199,280.28)	(17.05)
Subsidies & Donations	35,732,998.91	29,568,075.57	6,164,923.34	20.85
Total Expenses	1,152,136,276.81	1,252,237,910.09	(100,101,633.28)	37.79

APPROPRIATIONS	2018	2017	Increase (Decrease)	%Increase (Decrease)
Personal Services	400,832,517.48	370,776,287.30	30,056,230.18	8.11
MOOE	1,036,055,078.33	908,100,532.29	127,954,546.04	14.09
Capital Outlay	123,176,058.59	97,196,359.00	25,979,699.59	26.73
Total	1,560,063,654.40	1,376,073,178.59	183,990,475.81	13.37

ALLOTMENT	2018	2017	Increase (Decrease)	%Increase (Decrease)
Personal Services	400,832,517.48	370,776,287.30	30,056,230.18	8.11
MOOE	1,036,055,078.33	908,100,532.29	127,954,546.04	14.09
Capital Outlay	123,176,058.59	97,196,359.00	25,979,699.59	26.73
Total	1,560,063,654.40	1,376,073,178.59	183,990,475.81	13.37

OBLIGATIONS	2018	2017	Increase (Decrease)	%Increase (Decrease)
Personal Services	342,552,824.77	321,756,894.31	20,795,930.46	6.46
MOOE	744,983,605.27	754,314,847.13	(9,331,241.86)	(1.24)
Capital Outlay	45,816,587.09	57,157,076.31	(11,340,489.22)	(19.84)
Total	1,133,353,017.13	1,133,228,817.75	124,199.38	0.01

C. OPERATIONAL HIGHLIGHTS

The Provincial Government of Ilocos Norte (PGIN) continues to promote and develop the local tourism. For the year 2018, the province received a total of **3,003,963** visitors which is 33.91% higher than in 2017. The estimated income from the tourists' expenses during the year is **P8.2 billion**. With this, the Province won the prestigious Pearl Award (Grand Prize) for Best Tourism-Oriented Province in the Philippines from the Association of Tourism Officers of the Philippines (ATOP) and the Department of Tourism.

The PGIN is also a signatory to the Philippine Rural Development Project (PRDP) which is a six-year project financed by a loan from the World Bank and a grant from the Global Environment Facility. The Province is responsible in carrying out the development process for all types of infrastructure and livelihood subprojects under this program where total receipts of P48,863,702.46 and disbursements of P32,282,896.44 have been made. Projects' cost is an 80:10:10 sharing of the World Bank, Government of the Philippines (GOP) and the Provincial Government of Ilocos Norte, respectively.

As to infrastructure projects, thirty-three (33) projects with total cost of Php 136,457,922.73 were completed. The table below shows the details.

Programs/Projects/Activities	Source of Fund	Project Cost
1. Construction of Chinese Garden (Phase I), Paoay, Ilocos Norte	Trust Fund	1,428,193.37
2. Improvement of Fountain at Paseo de Paoay	Capital Outlay	392,937.52
3. Repair and Improvement of 1 Unit Nursery Pond, 4 Units Concrete Nursery Tank and Distillation of 1 Unit Nursery Pond at Pasuquin Fish Farm	20% Development Fund	997,442.02
4. Improvement Works at Provincial Capitol Building (Construction of Comfort Rooms at Second Floor and Mezzanine and Replacement of Floor Tiles at Stairs, Lobby-SP, Balcony and Gallery-East and West Wing)	Capital Outlay	1,376,703.16
5. Improvement/Upgrading of Centennial Arena	Capital Outlay	1,492,612.72
6. Construction of Multi-Purpose Hall (Covered Court at Saud, Badoc, Ilocos Norte)	20% Development Fund	2,197,881.07
7. Construction of One Storey-Two Classroom School Building at Sagpatan Elementary School, Dingras, I. Norte	Special Education Fund	2,714,637.76
8. Construction of One Storey-Two Classroom School Building at Bulbulala Elementary School, Pinili, I. Norte	Special Education Fund	2,714,637.76
9. Construction of One Storey-Two Classroom School Building at Dilanis Elementary	Special Education Fund	5,322,824.52

School and the same structure at Binsang Elementary School, Pasuquin, I. Norte		
10. Construction of One Storey-Two Classroom School Building at Cabayo Elementary School and the same structure at Magabobo Elementary School, Vintar, I. Norte	Special Education Fund	4,986,949.78
11. Construction of Perimeter Fence at Dungon-Dungon, Burgos, Ilocos Norte	Capital Outlay	405,356.94
12. (A) Construction of Perimeter Fence at Doctor's Quarter and (B) Repair/ Rehabilitation of Building at Tamdagan District Hospital, Vintar, I. Norte	Capital Outlay/ 20% Development Fund	249,777.31
13. Rehabilitation at Bangui District Hospital	20% Development Fund	1,184,674.72
14. Improvement of Hotel and Convention Center at Plaza del Norte	Capital Outlay	2,453,613.46
15. Repair/Rehabilitation and Improvement Works at Malacañang of the North	5% LDRRM Fund	4,897,644.74
16. Improvement of Provincial Capitol Building	Capital Outlay	467,239.18
17. Repair and Improvement Works of office of the Provincial Agriculturist	Repair and Maintenance	499,681.71
18. (A) Construction of Generator Set Housing at PHO, (B) Construction of Septic tank and Improvement of Water Lines and Sewages System at PHO, and (C) Repair and Improvement of Decontamination Room, TB Dots, Morgue and Pathwalk at GRBASMH	20% Development Fund Capital Outlay	780,639.72
19. Package V: Rehabilitation/ Construction of San Pedro Bridge and Pandan Bridge, Sarrat, Ilocos Norte	World Bank, DA, RA 7171	9,890,284.21
20. Rehabilitation and improvement of Parang-Barbar-Pugaoan Provincial Road, Pinili, Ilocos Norte	DILG-CMGP	49,963,395.41
21. (A) Construction of San Nicolas-Sarrat Provincial Road, (B) Construction of Single Barrel Box Culvert and Portland Cement Concrete Pavement along Sitio Darasdas, Marcos, I. Norte, and (C) Repair and Rehabilitation of Banna – Sto. Niño Provincial Road.	20% Development Fund 5% DRRMF	3,863,711.16
22. Concrete Paving of Pinili – Puzol Provincial Road, Pinili, I. Norte	20% Development Fund	785,200.59

23. Rehabilitation and Improvement of Marcos-Rubio Provincial Road, Pinili, I. Norte	20% Development Fund	2,258,793.39
24. Construction of Slope Protection Wall along Paninaan (Vintar) – Manarang – Sta. Catalina Provincial Road	20% Development Fund	2,470,304.15
25. Rehabilitation and Improvement of Pasiocan-Ganagan-Sangil Provincial Road, Bacarra, Ilocos Norte	20% Development Fund	1,786,925.26
26. Improvement of Piddig-Calambeg Provincial Road, Piddig, I. Norte	20% Development Fund	3,462,521.54
27. Rehabilitation of Lumbaan-Bicbica Farm to Market Road, Pinili, Ilocos Norte	20% Development Fund	2,949,420.93
28. Concrete Paving of Currimao-Bimmanga (Tapao Tigie) Provincial Road, Currimao, I. Norte	20% Development Fund	1,976,408.69
29. Preventive Maintenance along Bacarra-Cabulalaan Provincial Road, Bacarra, I. Norte	5% DRRMF	126,139.74
30. Repair/Maintenance along Paninaan-Nambaran-Bacarra Provincial Road, Bacarra, I. Norte	5% DRRMF	4,762,179.62
31. Upgrading of Vintar-Bacarra Friendship Road, Bacarra, Ilocos Norte	20% Development Fund	9,959,773.53
32. Improvement of Dungon-Dungon Access Road, Burgos, Ilocos Norte	20% Development Fund	1,743,519.78
33. Rehabilitation of Pallas School Namoroc Mabanbanag, Vintar, Ilocos Norte	20% Development Fund	5,895,897.27

By way of the implementation of its programs and projects, Ilocos Norte has significantly decreased its unemployment rate in the Province from 8.4% in 2015 to 7.3% in 2018.

D. SCOPE OF AUDIT AND METHODOLOGY

A comprehensive audit was conducted on the accounts and operations of the PGIN for the calendar year 2018 based on our audit thrusts for the year. These audit thrusts are the following: 1) Cash and Cash Equivalents, 2) Financial Liabilities, 3) Fund Transfers (Utilization of Fund transferred from National Government Agencies and Funds Transferred to Other LGUs) 4) 20% Development Fund, 5) Local Disaster Risk Reduction Management Fund, 6) Excise Tax – RA 7171, 7) Revenue Generating Programs, 8) Local

Roads Asset Management System and Insurable Properties, 9) Solid Waste Management program, 10) Payment of Casuals, Job Orders, Contractuals and Consultants, 11) Enforcement of COA Disallowances and Charges, 12) Compliance with Tax Laws, 13) Remittance of Mandatory GSIS, Philhealth and Pag-ibig Contributions/Loan Amortizations, and 14) Gender and Development. It was conducted to ascertain the propriety of financial transactions and the accuracy of financial records and reports and compliance of agency with prescribed rules and regulations. It was also made to ascertain whether programs as envisioned were attained in economical, efficient and effective manner.

E. STATE AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to immediate recording to expense of drugs and medicines and medical, dental and laboratory inventories, in the amounts of P74,353,303.25 and P61,802,805.23, respectively, upon issuance to the different hospitals; inclusion of condemned and/or unserviceable tangible properties to the property, plant and equipment account in the total of P14,960,188.82 and misclassification of donated supplies, inventories and/or goods to supplies and materials expense in the total amount of P27,094,234.00.

F. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

We are pleased to note that the Provincial Government of Ilocos Norte has complied and implemented the following:

1. Recognition of the Local Road Networks in the books of accounts is within the targeted schedule. At least 75% has been recognized in the total amount of P1,740,460,381.88 including inventoried road lots of Php277,054,174.28.
2. A Ten (10) Year Provincial Solid Waste Management Program (2015-2024) adopted under Provincial Resolution No. 079-2014 dated December 05, 2014 was submitted to the National Waste Management Commission on February 10, 2016. The plan was formulated in accordance with RA 9003 otherwise known as the Philippine Ecological Solid Waste Management Act of 2000, giving emphasis, but not limited to, re-use, recycling and composting of wastes.
3. The requirement of Department of Finance-Department of Budget and Management – Commission on Audit Joint Circular No. 1-2000 dated January 3, 2000 and Joint Circular No. 1-2000 dated July 1, 2000 relative to the withholding of taxes on gross compensation income of its personnel, suppliers and clients for procurements and service contracts were duly complied. These withheld taxes were also remitted on time using the prescribed BIR forms. Total taxes withheld and

remitted for CY 2018 on compensation and VAT are Php16,027,754.00 and Php12,621,173.48.00, respectively.

4. The Gender and Development Plan with a total budget of P71,699,697.20 was duly approved by the Department of Interior and Local Government, Regional Office No. 1 on July 06, 2018. Of the forty-eight programs, projects and activities included in the plan, forty-one or 85.42% were implemented.

However, we noted deficiencies in the course of our audit of the accounts and transactions of the LGU and the following are the significant observations and recommendations:

1. Purchases of drugs and medicines, and medical, dental and laboratory supplies of the province amounting to P74,353,303.25 and P61,802,805.23 respectively, were initially recorded as inventory and immediately recognized as expense upon distribution to provincial and district hospitals contrary to Sections 114, paragraph 4, and 121 of the Manual on New Government Accounting System (NGAS), thus affecting the accuracy of the said accounts as presented in the financial statements.

We recommended that management require the GSO to consolidate monthly or every two months the RIS for which supplies and materials were issued using the SSMI. Also, require the Provincial Accountant to record first the purchases of drugs/medicines and medical supplies as inventory. The SSMI with the original copy of the RIS shall be submitted to the Provincial Accountant as basis to prepare the JEV to record the expenditures using the appropriate expense accounts.

2. Condemned and/or unserviceable tangible properties in the total amount of P14,960,188.82 are still part of Property, Plant and Equipment account, contrary to paragraph 82 of IPSAS 17, Section 79 of Republic Act 7160 and Section 59 of Manual on the New Government Accounting System for Local Government Units, thereby casting doubt on the propriety and reliability of PPE account.

We recommended that management observe the proper guidelines in the disposal and derecognition of Property, Plant and Equipment which includes the accomplishment of Inventory and Inspection Report of Unserviceable Properties (IIRUP) which will be the basis of the Accounting Division in dropping those condemned/unserviceable properties in the books of account through a Journal Entry Voucher as follows:

Accumulated Depreciation	XX	
Proceeds (if any)	XX	
Loss on disposal (if any)	XX	
PPE Account		XX
Gain on disposal (if any)		XX

3. Various inventories and goods for distribution in the total amount of P27,094,234.00 were recorded under the category of Supplies and Materials Expense instead of Donations, contrary to COA Circular 2015-009 dated December 01, 2015, which affects the accuracy of the financial statements and the perception of constituents in the use of financial resources of the PGIN.

We recommended that the Accounting Department should record these items for distribution as Donations in accordance with COA Circular 2015-009 in order to have a well-represented expense items in the financial statements.

4. Appropriation in the total amount of P29,875,959.07 for different socio-economic projects covering the years 2011 to 2016 for 20% Development Fund remain unutilized contrary to Section 5 of DILG and DBM Joint Memorandum Circular No. 2017-1 thereby affecting the timely delivery of vital services and benefits to the constituents.

We recommended that management optimally utilize the 20% development fund to help achieve desirable socio-economic development and environmental outcomes by:

- a. revisiting the projects included in the CY 2011 to 2016 appropriations and identify those which are still necessary to implement, and
- b. when these identified projects could no longer be implemented

G. Summary of Suspension, Disallowances and Charges as of December 31, 2018

The balance of Notice of Disallowance as of December 31, 2018 is P12,288,226.00. There was no audit Charges/Suspensions issued for CY 2018.

H. Summary of Implementation of Prior Years' Audit Recommendations

Out of the thirty-seven (37) prior year's audit recommendations, twenty-four (24) were fully implemented during the year, ten (10) were partially implemented and three (3) were not yet implemented.