

EXECUTIVE SUMMARY

A. Introduction

On 31 March 1977, by virtue of Presidential Decree No. 1112, otherwise known as the “Toll Operation Decree” issued by President Ferdinand E. Marcos, the Toll Regulatory Board (TRB) was created. Its primary function includes close supervision, monitoring and regulation of the construction, operation and maintenance of toll facilities and the collection of toll fees as well as the rate that may be charged for the use of these facilities.

Pursuant to Executive Order (EO) No. 686 dated 19 December 2007, the TRB was transferred from the Department of Public Works and Highways (DPWH) to the then Department of Transportation and Communications (DOTC) now Department of Transportation (DOTr) which removed certain powers of the TRB such as the power to enter into contracts on behalf of the Republic of the Philippines for the construction, operation and maintenance of toll facilities, for highways, roads, bridges and public thoroughfares, and transferred the same to the DPWH. However, such powers were returned to TRB by virtue of EO No. 133 dated 26 March 2013.

The TRB envisions a nation with effective and efficient Toll Road Network, build and managed in partnership with the private sector, geared towards the service of public interest. Its mission is to establish viable toll roads and facilities built and managed by the private sector, regulated and supervised by the government, in pursuit of sustainable economic development.

The TRB is governed by Board of Directors composed of the following:

- a. Secretary of DOTr as Chairman
- b. Secretaries and head of the following agencies as Members:
 - i. Department of Public Works and Highways (DPWH)
 - ii. Department of Finance (DOF)
 - iii. National Economic and Development Authority (NEDA)
- c. A representative from private sector to be appointed by the President

At present, the TRB is headed by an Executive Director II and assisted by the Chief Administrative Officer and Chief Public Utilities Regulation Officer. As of December 31, 2019, the TRB has 29 approved positions under the Plantilla of Personnel. Of the total number of positions, 27 are filled-up, composed of 26 regular employees and one (1) presidential appointee. Additional 22 personnel were hired on a no employer-employee status, two (2) Consultants, nine (9) Contract of Service (COS) and 11 Job Order (JO). As of year-end, the TRB has a total of 49 personnel complement. Details are shown on the next page:

Office/Division	Regular	Consultant	COS	JO	Total
Office of the Executive Director II	5	2	1	1	9
Finance and Administrative Division	10	-	8	4	22
Regulation Division	12	-	-	6	18
Total	27	2	9	11	49

B. Financial Highlights

For CY 2019, the TRB received total appropriations of ₱37,482,705.50 which composed of: (a) Regular Appropriations of ₱34,548,000.00 as Agency Specific Budget per General Appropriations Act of FY 2019; (b) Continuing Appropriations of ₱1,214,705.50; (c) Automatic Appropriations of ₱1,531,000.00; and (d) Special Purpose Fund of ₱189,000.00. During the year, the agency received total allotments of ₱37,482,705.50 with total obligations incurred amounting to ₱37,306,568.25, leaving an unobligated balance of ₱176,137.25. Details are as follows:

Source of Funds	Appropriations	Allotments	Obligations	Balance
	(In Php)			
1. Agency Specific Budget				
Personnel Services	17,288,250.00	17,288,250.00	17,231,933.76	56,316.24
Maintenance and Other Operating Expenses (MOOE)	14,184,750.00	14,184,750.00	14,154,855.54	29,894.46
Capital Outlay (CO)	3,075,000.00	3,075,000.00	3,000,085.00	74,915.00
Sub-total	34,548,000.00	34,548,000.00	34,386,874.30	161,125.70
2. Automatic Appropriation				
Retirement and Life Insurance Premium	1,531,000.00	1,531,000.00	1,515,988.45	15,011.55
Sub-total	1,531,000.00	1,531,000.00	1,515,988.45	15,011.55
3. Special Purpose Fund				
Miscellaneous and Personnel Benefit Fund	189,000.00	189,000.00	189,000.00	-
Sub-total	189,000.00	189,000.00	189,000.00	-
4. Continuing Appropriation				
MOOE	114,705.50	114,705.50	114,705.50	-
CO	1,100,000.00	1,100,000.00	1,100,000.00	-
Sub-total	1,214,705.50	1,214,705.50	1,214,705.50	-
Grand Total	37,482,705.50	37,482,705.50	37,306,568.25	176,137.25

The comparative financial position and financial performance of the Agency for CYs 2019 and 2018 are presented below:

Particulars	2019	2018	Increase / (Decrease)	%
Financial Position				
Assets	97,721,347.02	99,322,482.03	(1,601,135.01)	(1.61)
Liabilities	482,681.19	539,634.09	(56,952.90)	(10.55)
Net Assets/Equity	97,238,665.83	98,782,847.94	(1,544,182.11)	(1.56)

Particulars	2019	2018	Increase / (Decrease)	%
Financial Performance				
Revenue	859,948,253.74	1,104,309,579.12	(244,361,325.38)	(22.13)
Current Operating Expenses	33,788,186.51	30,467,281.31	3,320,905.20	10.90
Surplus/(Deficit) from Current Operations	826,160,067.23	1,073,842,297.81	(247,682,230.58)	(23.06)
Net Financial Assistance/Subsidy	36,870,864.90	29,618,648.07	7,252,216.83	24.48
Surplus/(Deficit) for the period	863,030,932.13	1,103,460,945.88	(240,430,013.75)	(21.79)

C. Operational Highlights

The TRB's reported targets and actual accomplishments measured in terms of its Program, details are as follows:

Particulars	2019 Targets	Accomplishments	Variance (Under)/Over
<i>Tollway Regulatory Program</i>			
<i>Outcome Indicator(s)</i>			
1. % decrease in toll road crashes	2%	4.47%	2.47%
2. % increase in average traffic volume in toll roads	2%	8.27%	6.27%
3. % decrease in the number of complaints received during public hearings on rate increase	5%	83.33%	78.33%
<i>Output Indicator(s)</i>			
1. % of complaints acted upon	80%	100%	20%
2. No. of inspection conducted	214	257	43
3. Increased kilometer-length of toll road	80	68.27	(11.73)

Out of the three output indicators set by the TRB, only one yielded a negative variance. The increased kilometre-length of toll road was not achieved due to the right-of-way and utility relocation issues of other projects scheduled for implementation.

D. Scope of Audit

The audit covered the accounts and operations of TRB for the year ended December 31, 2019. The audit was conducted to (a) verify the level of assurance that may be placed on the Management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

E. Report on the Audit of Financial Statements

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements of TRB as at December 31, 2019.

F. Other Significant Observations and Recommendations

The following is a summary of significant observations and corresponding recommendations, the details of which are discussed in Part II of this Report.

1. The performance of functions of the Regulation Division and Finance and Administrative Division in the monitoring, billing, collection and remittance of government revenues pursuant to TRB Office Order No. 2018-23 dated June 11, 2018 has not been strictly carried out that resulted in: a) non-submission of validated computations and supporting documents on collectibles of ₱91,079,423.88 and recognized revenue from tollways operators remitted to the Bureau of Treasury of ₱859,948,253.74, and b) delay in the collection of Accounts Receivable amounting to ₱91,079,423.88 from 407 to 553 days beyond the prescribed timelines. **(Observation No. 1)**

We recommended that Management:

- a. Direct the Regulation and Finance and Administrative Divisions to:
 - i. submit supporting documents such as Tollway Operators' financial statements audited by external auditor and approved financial schedules, and approved detailed computations and schedules made by the TRB to fully document the CY 2019 recognized amounts under Accounts Receivable;
 - ii. see to it that Joint Venture companies timely submit to TRB the detailed computation and supporting documents of the amounts that are due to be remitted, and the same are duly verified and validated by the Regulation Division upon submission to Finance and Administrative Division for proper recording;
 - iii. perform strictly the respective responsibilities and functions stated in the TRB Office Order No. 2018-23 dated June 11, 2018 such as the regular conduct of the audit of accounting and related records of toll operators and validation of the amount of remittances against supporting schedules and documents to ensure accuracy of amounts remitted;
 - iv. intensify collections of the recorded receivables from tollway operators pursuant to TRB Office Order No. 2018-23 dated 11 June 2018 re:

Monitoring, Billing, Collection and Remittance of Revenues/Fees
Accruing to the Government; and

- b. Submit the status of actions undertaken by Management on the finalization of the Implementing Rules and Guidelines relative to the determination of the net income remittable by Philippine National Construction Corporation to the National Government from April 2016 when the draft Guidelines was submitted to DOF up to the present.
2. The TRB had fully maximized the utilization of its total allotments received of ₱37,482,705.50 wherein ₱37,306,568.25 or 99.53 percent was obligated as at year-end, leaving an unutilized balance of 0.47 percent or equivalent to ₱176,137.25; hence, indicating substantial compliance with Section 76 of the Republic Act (RA) No. 11260 or the General Appropriations Act (GAA) for FY 2019 and National Budget Circular (NBC) No. 577 dated 02 May 2019. Moreover, TRB's utilization of cash allocations pursuant to Circular Letter No. 2019-3 dated 04 January 2019 amounted to ₱34,747,240.89 or 89.79 percent of the total received cash allocations of ₱38,698,454.00 thus, leaving an unused balance of ₱3,951,213.11 or 10.21 percent which was automatically reverted to the BTr as at year-end. **(Observation No. 2)**

We commended Management for its substantial compliance with Section 76 of RA No. 11260 by maximizing the utilization of the allotments released for the operations of TRB.

However, we recommended and Management agreed to strictly plan the procurement activities of the agency and the corresponding monthly cash program to reflect realistic timelines in the implementation thereof and efficient utilization of cash allocations.

3. The balance of liability over the loss of a vehicle in the amount of ₱134,000.00 was not settled by the Accountable Officer (AO) in accordance with the COA approved settlement through monthly installment of ₱3,483.33 over a five-year period. **(Observation No. 3)**

We recommended and Management agreed to direct the AO to settle the remaining balance through monthly payments over the remaining term of the approved five-year period.

4. Several lapses were found in the grant and utilization of cash advances contrary to the provisions of Presidential Decree (PD) No. 1445, COA Circular Nos. 97-002 dated February 10, 1997 and 2012-001 dated June 14, 2012, EO No. 77, s. 2019 and Section 26, Chapter 6 of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. **(Observation No. 4)**

We recommended and Management agreed to direct the Accountant and AOs to strictly observe the pertinent rules and regulations in the grant, utilization and liquidation of cash advances:

- a. For the Accountant –
 - i. ensure that complete documentary requirements are submitted/complied with for the liquidation of cash advances prescribed under Section 4 of PD No. 1445, Sections 1.1 and 1.2 of COA Circular No. 2012-001 dated June 14, 2012 and Section 26, Chapter 6 of GAM for NGAs, Volume I, to avoid audit suspensions;
 - ii. see to it that additional cash advances are not granted to AOs with outstanding/unsettled/unliquidated cash advances pursuant to Item No. 4.1.2 of COA Circular No. 97-002 dated February 10, 1997;
 - iii. remind all AOs to liquidate their cash advances within the prescribed timelines provided under Section 89 of Presidential Decree (PD) No. 1445 and Item Nos. 4.1.3 and 5.1.1 to 5.1.3 of COA Circular No. 97-002 dated February 10, 1997 and issue demand letters to AOs with past due Liquidation Reports;
 - iv. examine thoroughly during the processing of claims the allowable rates of per diem or any travel related expenses and allowances to be granted in accordance with the provisions of EO No. 77, s. 2019; and
 - b. For the Accountable Officers to stop the practice of transferring to another personnel the handling and liquidation of their cash advances and to comply strictly with the provision of Item No. 4.1.6 of COA Circular No. 97-002.
5. Job Order (JO) drivers were hired by the TRB for the nine (9) motor vehicles owned by Tollways which were assigned to TRB for use in the monitoring and inspection of tollways' projects, however, assignment of motor vehicles and hiring of drivers were not supported with Deeds of Assignment and Toll Operation Agreements. Moreover, inspection also revealed that the said vehicles occupy the rented and designated parking slots for TRB motor vehicles; hence, payments of wages of the JO drivers and parking rentals for private vehicles are contrary to Section 2 of PD No. 1445 and thus, considered irregular expenditures pursuant to COA Circular No. 2012-003 dated 29 October 2012. (**Observation No. 5**)

We recommended that Management submit proof of registration details of the private vehicles used by the TRB, the duly approved drivers' trip tickets with signature of the identified officials and/or employees who are actually using the private vehicles, and copies of Deed/s of Assignment, Toll Operation Agreements (TOAs), and TOAs' specific provisions of motor vehicles to TRB.

6. The hiring/recruitment process of individual consultants was not in accordance with Rule V, Item D, No. 7(b) of the Annex “H” of the 2016 Revised Implementing Rules and Regulations of RA No. 9184, thus resulting in incurrence of irregular expenditures. **(Observation No. 6)**

We recommended that Management refrain from entering into Consultancy Agreements that are not strictly and religiously done in accordance with the procurement process of hiring individual consultants as required by RA No. 9184 and its 2016 RIRR to avoid disallowance in audit.

The above observations and recommendations were communicated with concerned Management officials through our Audit Observation Memoranda and an exit conference conducted via Zoom on August 10, 2020 and their comments were incorporated in this Report, where appropriate.

G. Summary of Total Suspensions, Disallowances and Charges

As of December 31, 2019, the TRB has no records of unsettled suspensions and charges but with unsettled disallowances issued before the 2009 Revised Rules on Settlements of Accounts (RRSA) amounting to P321,759.23. These were outright disallowances issued from 1997 and 1998 pertaining to unauthorized expenses and suspensions that matured into disallowances which have become final and executory and for which the officers and employees found liable thereof are no longer connected with TRB.

H. Status of Implementation of Prior Years’ Audit Recommendations

Of the 12 outstanding prior year’s audit recommendations as at January 1, 2019, nine (9) or 75 percent were implemented as of year-end, and three (3) or 25 percent were not implemented. The details are presented in Part III of this Report.