

## EXECUTIVE SUMMARY

### A. Introduction

The Province had a total of 844 plantilla positions that are distributed accordingly to man the 26 departments. As of December 31, 2017, there are 714 existing personnel and 130 vacant positions due to retirement, transfer and promotion of incumbent employees. The increase in vacant positions is also attributed to the newly created positions that are critical in the performance of the mandate of some departments.

A financial and compliance audit was conducted on the accounts and operations of the Province of Kalinga for CY 2017 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 2017 and 2016 are as follows:

Account	CY 2017	CY 2016	Increase (Decrease)	%
Assets	₱1,726,511,730.28	₱1,155,683,926.46	₱570,827,803.82	49.39%
Liabilities	705,846,465.78	300,069,739.93	405,776,725.85	135.23%
Government Equity	1,020,665,264.50	855,614,186.53	165,051,077.97	19.29%
Income	1,001,375,866.27	847,945,501.89	153,430,364.38	18.09%
Expenses	729,009,877.50	660,217,422.16	68,792,455.34	10.42%

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

	CY 2017	CY 2016	Increase (Decrease)	%
Appropriation	₱ 1,039,826,478.33	₱865,374,085.00	₱174,452,393.33	20.16%
Allotment	1,039,826,478.33	836,709,348.23	203,117,130.10	24.28%
Obligation	789,036,231.03	702,074,581.53	86,961,649.50	12.39%

The main source of income is the Internal Revenue Allotment (IRA) comprising 79% of the total annual revenue. The remaining 21% 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 an unqualified opinion on the fairness of financial statements.

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

1. Inventory reports for biological assets prescribed under COA Circular Nos. 84-239 and were not regularly prepared, submitted and reconciled with accounting records thereby rendering the balance of Biological Assets – Breeding Stocks account amounting to ₱325,500.00 unreliable.

We recommended that the Office on Veterinary Services strictly comply with the monthly preparation of the inventory reports as basis for reconciliation with accounting records.

2. The Provincial Solid Waste Management Plan has not yet been developed, thus, the province was unable to adopt a systematic, comprehensive and ecological solid waste management program.

We recommended that the Provincial Solid Waste Management Board assist the component municipalities in the development of an approved solid waste management plans and to develop the Provincial Solid Waste Management Plan based on the approved plans of Tabuk City and the six component municipalities.

3. Hospitals under the jurisdiction of the Provincial Government are not compliant with the "Health Care Waste Management Manual" of the Department of Health, thus, protection of the public from risks and hazards of exposure to health care waste cannot be assured.

We recommended that management:

- a. formulate a solid waste plan for each hospital and a minimization programs which shall include a written policy with specific goals, objectives and timelines;
- b. coordinate with the DOH and DENR for appropriate and long-term solutions relating to health care waste; and
- c. work out for the acquisition of dump trucks customized for health care wastes or provide counterpart to city/municipalities for the procurement of such.

4. The personnel complement of the Provincial Disaster Risk Reduction Office was not in accordance with RA10121 thus, affecting the efficient and effective implementation of disaster risk management programs, projects and activities for a disaster-resilient Province.

We recommended that Management prioritize the establishment of the PDRRM Office and creation of positions for the three (3) technical staffs.

5. Non-compliance of the Provincial Government with the “Disaster Preparedness Minimum Standards” as prescribed by the National Disaster Risk Reduction and Management Council (NDRRMC) affected the province’s disaster resilience.

We recommended that Management:

- a. institutionalize Pre-emptive and Forced Evacuation through an ordinance;
  - b. undergo selection and accreditation of Civil Society Organizations;
  - c. forge Memorandum of Agreement (MOA) with organizations and institutions required under DILG MC No. 2015-76 as discussed in finding #5.2 of part II of this report and additional two (2), at a minimum, for supermarkets; volunteer groups; transportation groups; local construction companies and faith-based organizations;
  - d. prioritize the procurement of necessary equipment, tools and supplies; and
  - e. ensure that the various databases are complete
6. Expenditures totaling ₱143,200.00 charged against the Special Education Fund did not adhere to the priority program and activities chargeable to the fund

We recommended and management agreed to charge only the wages of utility workers and security assigned in public elementary and high school to the SEF funds in accordance with Joint Circular 2017-01 of the DEP ED, DBM and DILG.

7. Records of meetings, approved plans, policies and reports of the Provincial Council for the Protection of Children (PCPC) were not properly complied with, thus, the functionality of the Council in advancing the rights and welfare of children cannot be thoroughly evaluated.

We recommended that Management:

- a. Establish the CLJIP to serve as a guide in the planning, implementation and monitoring of PPAs pertaining to Juvenile Justice and Welfare;
- b. Document accomplishment reports in detail to facilitate the monitoring thereof
- c. Strictly comply with the form and content of the Local State of Children’s Report as prescribed under DILG Memorandum Circular No. 2009-106 and transmit the report to the Council for the Welfare of Children every 1<sup>st</sup> week of December of every year.

8. Non-implementation/ Non-completion of 246 Infrastructure Projects totaling ₱155,100,000.00 under the CY2017 Development Fund denoted inefficiency in the implementation of the province's programs, projects and activities. Further, no monthly monitoring report on awarded projects were submitted for audit verification as required.

We recommended that management:

- a. expedite the use of the fund by improving the procurement process through proper planning, coordination and communication for each division.
  - b. require the Provincial Engineering Office to prepare and submit to the audit team a monthly monitoring report on the status of awarded projects.
9. Inadequate supervision in monitoring of projects resulted in the incurrence of underrun in four projects, termination of 1 contract, non-implementation of 14 projects, completion of 5 projects beyond the target completion date and 3 projects still on-going despite lapse of target completion totaling ₱545,394.11, ₱4,947,966.75, ₱4,973,258.09, ₱986,990.00 and ₱2,367,677.23, respectively.

We have recommended that:

- a. the project engineers/inspectors to perform regular and thorough monitoring and supervision of all projects to ensure that construction works are accomplished in accordance with the terms of the contract;
  - b. the Provincial Engineer evaluate the extent of completion of the long outstanding contracts and impose liquidated damages or termination of contracts, if warranted.
10. Deviations from standard procedures of procurement and certain conditions on the Memorandum of Agreement (MOA) gives doubt on the efficiency of the procurement and resulted in the delay of project completion, thus the objectives of said projects were not yet attained.

We have recommended that management:

- a. furnish the audit team with the suspension orders/ request for time extensions/ termination and resume orders as basis in the computation of revised contract periods, if any.
  - b. furnish copies of perfected contracts and all its integral components to the audit team within five days from perfection.
  - c. fast track the implementation of the above projects to ensure timely delivery of services to intended beneficiaries.
11. A Farm to Market Road from Ga-ang to Dacalan, Tanudan, a DA-PAMANA project costing ₱1,994,186.00 is not accessible to commuters and vehicles because there is no bridge or road connection to the FMR.

We have recommended that management:

- a. ensure that detailed engineering activities which include surveys and pre-inspection be carried out conscientiously and that the usability of the project be primarily considered during the planning phase.
  - b. furnish copies of pictures during the conduct of surveys and site investigations as proofs that pre-inspection was carried out before bidding and award of contract.
12. Only 14.67% of the ₱44,825,252.60 audit disallowances that have become final and executory was recovered because management did not enforce the withholding of salaries and any amount due to persons liable as set forth under the COA Order of Execution (COE).

We recommended that the Local Chief Executive cause the full enforcement of COE by withholding the salaries and other money due to persons liable for the settlement of disallowances. Further, allow installment payment of disallowances only when duly authorized.

13. Premium contributions and loan amortizations withheld from salaries of employees totaling ₱67,892,551.74 were not remitted in full to the Government Service Insurance System (GSIS) contrary to the IRR of RA 8291 otherwise known as the “Government Service Insurance System Act of 1997”.

We have recommended and the Provincial Accountant agreed to:

- a. instruct employees in charge of recording and remitting the monthly contributions to ensure that total amounts withheld for the month shall be fully remitted on the 10<sup>th</sup> day of the succeeding month and likewise trace the details of the ending balance of the Due to GSIS account and remit the same; and
  - b. ensure that all offices strictly comply with the order of preference on authorized deductions. If net take home pay is below the minimum, the employee should be advised to pay directly to the concerned agency/institution.
14. Mandatory premium contributions were not deducted from wages of job orders contrary to Philhealth Circular No. 2017-008 dated June 30, 2017 entitled, “Coverage of individual/s, directly-hired job orders, and project based contractors in the government under the group enrollment scheme”.

We recommended and management agreed to enter into a Memorandum of Agreement with Philhealth, withhold premium contributions from Jos and PBCs and promptly remit the same.

15. Gender sensitivity and responsiveness of Gender and Development (GAD) attributed infrastructure projects amounting to ₱28,931,057.49 cannot be assessed due to the

absence of the Harmonized Gender and Development Guidelines (HGDG) test result and the summary of the reported programs and projects. Further, the non-identification of GAD Programs, Projects and Activities (PPAs) in the annual budget hampered the conduct of audit on the specific GAD PPAs.

We have recommended that management comply with the reportorial requirements of PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01.

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

As of December 31, 2017, the status of suspensions, disallowances and charges are as follows:

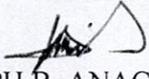
	Suspensions	Disallowance	Charges
<b>Issued prior to RRSA:</b>			
Beginning Balance	-	₱3,957,631.10	
Less: Settled during the year			
Balance, end		<b>₱3,957,631.10</b>	
<b>Issued after RRSA (SASDC):</b>			
Beginning Balance	₱ 15,827,360.69	₱ 67,676,041.78	-
Add: Issued during the year	17,855,579.41	539,330.00	-
Less: Settled during the year	(19,070,296.11)	(1,216.50)	-
Balance, end	<b>₱ 14,612,643.99</b>	<b>68,214,155.28</b>	-
<b>Total</b>	<b>₱ 14,612,643.99</b>	<b>₱72,171,786.38</b>	

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

Out of the 28 audit recommendations embodied in the CY 2016 Annual Audit Report, 10 were fully implemented, 8 were partially implemented and 15 were not implemented.

<b>ERRATA</b>				
<b>Particulars</b>	<b>Date Published</b>	<b>Location/ Page</b>	<b>As Published in the COA Website</b>	<b>Correction</b>
Correction on the Status of Prior Years' Audit Recommendation in the Executive Summary of the Annual Audit Report (AAR) of the Province of Kalinga, Cordillera Administrative Region	5/25/2018	Executive Summary – F. Status of Implementation of Prior Year's Audit Recommendation	Out of 28 audit recommendations...	Out of 33 audit recommendations...
Correction on Part III - Status of Prior Years' Audit Recommendations – 1 <sup>st</sup> paragraph	5/25/2018	Status of Prior Years' Audit Recommendations – Page 64, 1 <sup>st</sup> paragraph	Of the 28 audit recommendations...	Of the 33 audit recommendations...

**Authorized by:**

  
 JOSEPH B. ANACAY

Regional Director 

**Date:** August 15, 2018