

EXECUTIVE SUMMARY

INTRODUCTION

The Province of Abra was created on March 9, 1917 by virtue of Act No. 2683 of the Philippine Legislature. It is located in the northwestern part of Luzon. It has a total land area of 397,555 hectares with a total population of 234,733 as of 2010 Census of Population and Household (CPH). Its provincial boundaries are defined by Ilocos Norte on the north, Mountain Province and Ilocos Sur on the south and Kalinga and Apayao on the east. Abra is classified as a 3rd class province, consisting of 27 municipalities and 303 barangays.

For the first semester of CY 2016, the Provincial Government of Abra (PGA) was under the leadership of the former Governor Eustaquio P. Bersamin.

The PGA is currently under the leadership of Governor Maria Jocelyn Valera-Bernos, supported by Vice-Governor Ronald Balao-as and the eight Sangguniang Panlalawigan members and two ex-officio members. It has 584 personnel complement which is composed of 10 elective officials and 574 regular employees. Also, the PGA hired one temporary, one co-terminous, 141 contractual services and 1,000 job order employees.

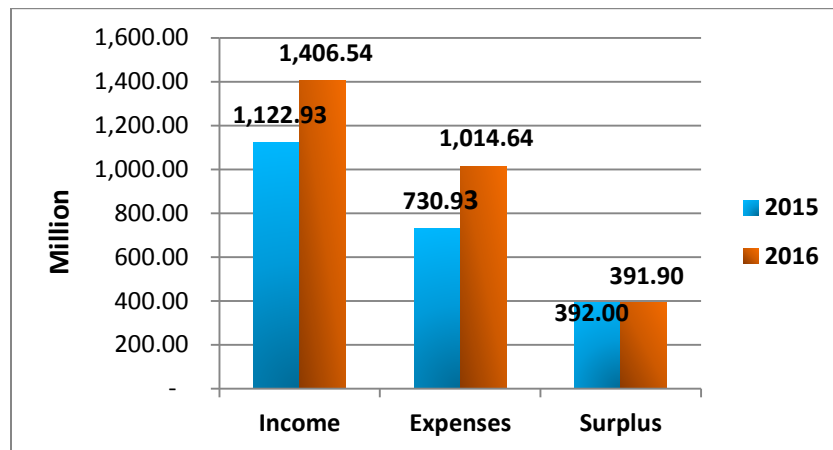
FINANCIAL HIGHLIGHTS

The present administration envisioned the PGA to be a model for academic excellence, public health and safety, environmental preservation and good governance, providing equal opportunity for all its constituents in a peaceful and friendly atmosphere through a God-centered leadership of the incumbent elected officials.

Along this line, the Province appropriated a total amount of ₱859.82 million in its General Fund, as the Annual Budget for the year 2016 under Appropriation Ordinance No. 236, to be utilized for various infrastructure, environment improvement, education, health and social services, and basic administrative development. Two supplemental budgets totalling ₱530.34 million were approved by the Sangguniang Panlalawigan, which included Share from Tobacco Excise Tax of ₱323.74 million. Also, ₱8.55 million was appropriated under the Special Education Fund by the Local School Board Budget under Local School Board Ordinance No. 1 to finance implementation of priority education projects of the Province.

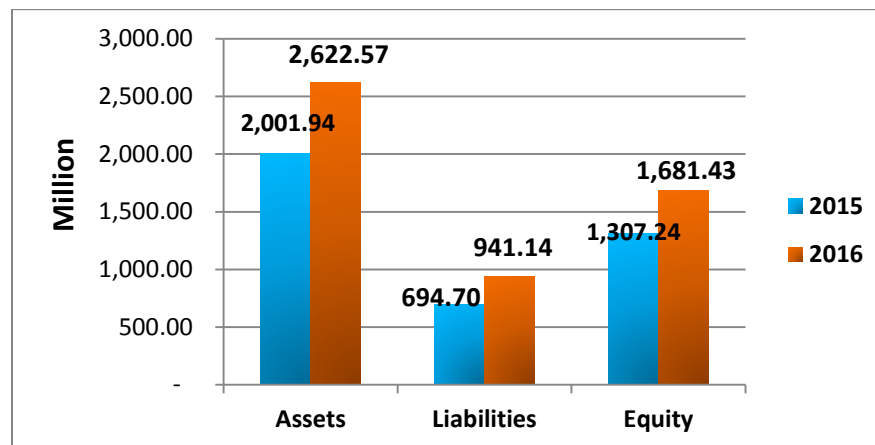
The Annual Investment Program for the year amounted to ₱859.82 million, of which ₱158.46 million represents 20% Internal Revenue Allotment Development Fund. Two Supplemental Annual Investment Programs aggregating ₱530.34 million were approved by the Sangguniang Panlalawigan.

Financial Performance



The Province generated total income of ₱1,406.54 billion for the year, showing an increase of ₱283.61 million or 25.26% compared to last year's income of ₱1,122.93 billion. Total expenses amounted to ₱1,014.64 billion, showing an increase of ₱283.71 million or 38.81% compared to last year's figure of ₱730.93 million. The Share from Tobacco Excise Tax received in CY 2016 was ₱323.74 million.

Financial Position



Total assets, liabilities and equity for the year amounted to ₱2,622.57 billion, ₱941.14 million and ₱1,681.43 billion, showing an increase of ₱620.63 million, ₱246.46 million and ₱374.18 million, respectively.

OPERATIONAL HIGHLIGHTS

For the year 2016, the major targets and accomplishments of the agency included the following:

Fund	# Programs / Projects / Activities (PPAs)	
	Target	Accomplishment
General Fund	5	4
20% DF	3	3
RA 7171	1	1
Trust Fund	10	6
TOTAL	19	14

The technical evaluation and inspection of the Improvement of Pidigan-San Isidro-Villaviciosa-Pilar Provincial Road, Road Opening from Poblacion, Dilong Abra to Besao, Mt. Province, and other projects were already requested. The TAS Reports on the technical evaluation on the Improvement of Pidigan-San Isidro-Villaviciosa-Pilar Provincial Road and technical evaluation and inspection on the first five projects under Trust Fund were already received and the results thereof were incorporated in this report.

SCOPE OF AUDIT

The audit covered the accounts, transactions and operations of the Province of Abra for the year 2016. The objectives of the audit were to ascertain the fairness and reliability of the Province's financial position and results of performance, and determine whether the plans, programs and activities for the year were attained in an efficient, economical and effective manner. We also conducted compliance audit to check the legality and propriety of the transactions and compliance with applicable laws, rules and regulations.

OPINION IN THE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a *qualified* opinion on the fairness of the presentation of the financial statements for reasons cited below:

1. The net book value of Property, Plant and Equipment (PPE) assets totalling ₱545,815,549.17 representing 20.77% of the total net assets of ₱2,627,566,255.82, as of December 31, 2016 and its provision for depreciation cannot be ascertained due to the non-reconciliation of records and non-maintenance of Property, Plant and Equipment Ledger Cards (PPELC).

2. Construction in Progress (CIP) account totaling ₱69,328,832.65 was not closed to Road Networks and Buildings account; thus, completed projects remained as if these are still on-going as of December 31, 2016.
3. The accuracy of reported balance of Drugs and Medicines and Medical, Dental and Laboratory Supplies Inventory accounts totaling ₱41,084,292.42 could not be ascertained due to non-reconciliation of records, non-maintenance of ledgers, and accounting errors resulting in understatement of inventory by ₱5,172,594.63, doubtful balance of ₱7,742,082.68 and unaccounted difference of ₱10,397,377.21.
4. The Statement of Comparison of Budget and Actual Amounts (SCBAA) was submitted late to COA for audit in violation of Philippine Application Guidance (PAG) 4 of the Philippine Public Sector Accounting Standard (PPSAS) 1. Thus, the review as to compliance with approved budget was not fully conducted.
5. The Province did not fully comply with the transition provision on the complete recognition of the local road network in the books of accounts which require 25% compliance at the end of 2016 pursuant to Item IX of COA Circular No. 2015-008.
6. There were delays in the submission of Financial Statements(FS), Trial Balances(TB) and Disbursement Vouchers (DV) together with their supporting documents. For the FS/TBs, delays ranged from 21 days to 6 months and 15 days; while those for the DVs, delays ranged from 1 month and 6 days to 9 months and 12 days. Moreover, 52 DVs aggregating ₱ 27,625,197.47 remained unsubmitted. Consequently, the review and verification of accounts and disbursement vouchers could not be undertaken on time and/or could not be conducted.

SUMMARY OF OTHER SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The following are the summary of significant findings and recommendations noted in the audit and/or evaluation on the efficiency and effectiveness of the operation of the Province of Abra for the year 2016. These were discussed in an exit conference held on June 19, 2016 with concerned agency officials and staff and their comments were incorporated in the report, where appropriate. The following significant audit observations are fully discussed in Part II of this report.

Financial and Compliance

1. The granting, utilization and liquidation of cash advances granted to the Disbursing Officers and ICO-Provincial Treasurer were not properly regulated contrary to pertinent provisions of RA 7160 and COA Circular Nos. 97-002 and 2012-001, resulting in un-liquidated balance of ₱19,704,752.37.

We recommended that:

- ICO-Provincial Accountant direct the Disbursing Officer to submit immediately her report of disbursements to the Accounting Office for proper recording in the books.
 - Management establish the propriety of the cash advances granted and require the ICO-PT to submit liquidation and/or refund the remaining cash advances in accordance with pertinent laws, rules and regulations.
 - Management demand the former Disbursing Officer to refund the amount of ₱257,566.26 as provided for under COA Cir No. 97-002.
2. The grant, utilization and liquidation of financial assistance to municipalities and barangays recorded as Due from LGUs were not properly monitored as required under COA Circular Nos. 2012-001 and 94-013. As such, the unliquidated balances have increased significantly as of December 31, 2016 aggregating ₱398,642,092.35, consisted of ₱76,275,925.02 aged more than one year to over two years, and ₱322,366,167.33 aged less than one year.

We recommended that Management instruct the ICO-Provincial Accountant to coordinate with the Accountants of the recipient LGUs and require the latter to submit audited Report of Disbursements and Credit Notice from the implementing agency's Auditor as per COA Circular No. 94-013; and/or demand the return of unexpended balances or refund of disallowed payments, if any; and submit the same to COA for audit purposes;

3. Funds released to various Non-Government Organization, taken up as Due from Non-Government Organizations/People's Organization (NGOs/POs) totaling ₱18,916,440.99 remained unliquidated as of year-end due to lack of monitoring thereof contrary to COA Circular No. 2007-001 dated October 25, 2007; thus, the utilization of the fund for its intended purpose could not be ascertained.

We recommended that Management -

- follow up the status of the projects especially those that were granted more than a year ago and monitor the implementation of the funds released during the year; and
- require the submission of utilization reports by NGO's/POs and verify their validity so that the Accounting Office will have a basis in recording the liquidation in the books of accounts; and
- strictly comply with the guidelines provided in COA Circular No. 2007-001 in the grant, utilization and monitoring funds released to NGOs/POs.

Credit Financing and Loans

4. Overdraft of ₱3,774,736.14 in the appropriations for loan amortizations was incurred due to non-reconciliation of records and realignment of the appropriation to other projects without ensuring the agency's full year requirements, contrary to Section 303 of the RA No. 7160.

We recommended that Management -

- direct the ICO-Provincial Accountant, ICO-Provincial Treasurer and ICO-Provincial Budget Officer to regularly reconcile their records to ensure the completeness and accuracy of recorded amortizations and bank charges;
 - ensure that the appropriation intended for loans and other contractual obligations are sufficient enough to cover such obligations, as mandated in Section 303 of RA No. 7160 and see to it that the appropriation shall be used solely for its purpose.
5. The completion of LBP PGA 2014 CW5: Concreting of Bituen-Lacub Road costing ₱29,970,095.65 was delayed by 447 calendar days(CD) depriving the constituents of the earlier benefits of the project. Moreover, no liquidated damages were imposed to the contractor despite the delayed project completion, contrary to Items 8.1 and 10.1 of Annex E of IRR of RA No. 9184.

We recommended that –

- Management determine the corresponding amount of liquidated damages on the above project and impose to the contractor, if warranted; and
- PEO closely supervise implementation of projects to ensure completion thereof in accordance with approved contract time, plans and specifications. Make sure to base evaluation on the contract time offered by the winning bidder/contractor.

Compliance with Republic Act No. 9184 (Government Procurement Act)

6. Review of 32 straight contracts totaling ₱414,737,882.30 disclosed insufficient documents and several lapses in the procurement process contrary to Section 4.6 of PD No. 1445 and R.A. No. 9184 and its Revised Implementing Rules and Regulations (IRR) casting doubt on the propriety of the contracts award and payments thereof.

We recommended that Management direct the BAC and TWG to:

- see to it that all contracts are duly accompanied by complete documents and such are responsive and compliant with procurement and other governing laws, rules and regulations.

- ensure validity and completeness of technical and financial documents submitted by the bidders. See to it that those documents meet the requirements prescribed under the bidding documents and provisions of RA No. 9184 and its 2016 Revised IRR.

Improvement of Pidigan-San Isidro-Villaviciosa-Pilar Provincial Road (Intermittent Section)

7. The project “Improvement of Pidigan-San Isidro-Villaviciosa-Pilar Provincial Road (Intermittent Section)” costing ₱99,990,875.70 was over-programmed by ₱26,117,615.60 and overpriced by ₱26,108,491.50 due mainly to overestimate and inclusion of unnecessary work items in the Approved Budget for the Contract(ABC).

Projects under Bottom-up Budgeting (BuB) program and Special Local Road Fund (SLRF)

8. Three(3) projects funded under the Bottom-up Budgeting (BuB) program and one(1) under Special Local Road Fund (SLRF) with total cost of ₱32,541,293.45 were over-programmed by ₱3,581,745.67 and overpriced by ₱3,520,533.02 due mainly to overestimated concrete pavement (PCCP) and stone masonry work items in the ABC.

For Finding Numbers 7 and 8, we recommended that henceforth, the PEO, be guided accordingly by pertinent estimating guidelines, laws, rules and regulations, and review thoroughly the ABC, POW and Detailed Cost Estimates before project implementation to ensure reasonableness and integrity of calculations.

Projects under Konkreto at Ayos na Lansangan at Daan Tungo sa Pangkalahatang Kaunlaran (KALSADA) program

9. The upgrading and improvement of three provincial roads under the KALSADA program totaling ₱85,201,205.92 with 10% Provincial counterpart expected to be completed in July 2016 were reported 29.99% to 90.26% accomplished as of April 2016 and remained suspended as of year-end. Moreover, national government funds of ₱30,148,888.41 and Provincial budget counterpart under 20% Development Fund (DF) of ₱7,684,000.00 were not utilized at the optimum.

We recommended that Management monitor closely the implementation of projects to ensure efficient and effective completion thereof within the target dates to achieve utmost benefits for the public.

Utilization of 20% Development Fund

10. Utilization of the 20% Development fund totaling ₱13,186,978.15 was not in accordance with DILG-DBM Joint Circular 2011-01; thus, the constituents were deprived of the long-term benefits that could be obtained from the mandated development projects/programs/activities.

We recommended that the Management adhere strictly with the provisions of Joint Memorandum Circular No. 2011-1 the DILG and DBM on the appropriation and utilization of the 20% of the IRA for programming for development projects. The agency should consider utilizing the fund for projects that yield lasting benefit to the constituents of the province.

11. Developmental Projects totaling ₱6,100,000.00 were not implemented contrary to DILG-DBM Joint Circular 2011-01 and pertinent provisions of R.A 7160, thus full socio-economic development from the priority development projects were not fully attained.

We recommended that management:

- Instruct the Provincial Planning and Development Officer to coordinate with end-users pertaining to the projects that could not be implemented, in order to address the reasons for not being able to implement such.
- Henceforth, the management adhere to the provisions of the DILG-DBM Joint circular, as well as with the provisions of RA 7160 in the monitoring and implementation of developmental projects.

5% Local Disaster Risk Reduction and Management Fund Utilization

12. Disbursements totaling ₱1,150,791.00 that could have been funded out of the regular Capital Outlay under General Fund have been charged to the LDRRMF contrary to Item 4.3 of NDRRMC-DILG-DBM-CSC Joint Memorandum Circular No. 2014-1.

We recommended that Management strictly comply with the provisions of NDRRMC-DILG-DBM-CSC Joint Memorandum Circular No. 2014-1 and the related subsequent provisions on LDRRMF utilization. Personal services, maintenance and other operating expenditures, and capital outlay of the LDRRMO as well as the regular MOOE and capital outlay of the municipality be sourced from the General Fund. The LDRRMF be strictly utilized for the implementation of DRRM programs.

Summary of Total Suspensions, Disallowances and Charges

The unsettled suspensions and disallowances of the Province under the Revised Rules and Procedures on the Settlement of Accounts as of December 31, 2016 amounted to ₱54,238,147.73 and ₱43,463,739.12, respectively. In addition, unsettled and unbooked disallowances pertaining to previous administration before the effectivity of the RRSA amounted to ₱7,235,065.78.

Status of Implementation of Prior Years' Audit Recommendations

Of the 90 audit recommendations in the 2015, 2014, 2013, and 2012 Annual Audit Reports, 25 were implemented, 29 were partially implemented and 36 were not acted upon.