

EXECUTIVE SUMMARY

A. Introduction

On March 31, 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 maybe charged for the use of these facilities.

Pursuant to Executive Order (EO) No. 686 dated December 19, 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 March 26, 2013.

The TRB envisions a nation with effective and efficient Toll Road Network, built 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, 2018, the TRB has 29 approved positions under the Plantilla of Personnel. Of the total number of positions, 28 are filled-up, composed of 27 regular employees and one (1) presidential appointee. Additional 20 personnel were hired on a no employer-employee status, 17 Job Order and three (3) Contract of Service. As of year-end, the OTC has a total of 48 personnel complement. Details are shown on the next page:

Status of Position	Filled	Unfilled	Total
Third Level / Presidential Appointee	1	-	1
Regular Employees	27	1	28
Subtotal	28	1	29
Job Order	17	-	17
Contract of Service	3	-	3
Subtotal	20	-	20
Grand Total	48	1	49

B. Financial Highlights

For CY 2018, the TRB received total appropriations of P30,740,466.00, composed of: (a) Regular Appropriations of P28,942,000.00 as Agency Specific Budget per General Appropriations Act of FY 2018; (b) Automatic Appropriations of P1,431,000.00; and (c) Special Purpose Fund of P367,466.00. During the year, the agency received total allotments of P30,740,466.00 with total obligations incurred amounting to P29,511,102.46, leaving an unobligated balance of P1,229,363.54. Details are as follows:

Source of Funds	Appropriations	Allotments	Obligations	Balance
	(In Php)			
1. Agency Specific Budget				
Personnel Services	16,285,000.00	16,285,000.00	16,284,482.47	517.53
Maintenance and Other Operating Expenses	11,557,000.00	11,557,000.00	11,442,294.50	114,705.50
Capital Outlay	1,100,000.00	1,100,000.00	-	1,100,000.00
Sub-total	28,942,000.00	28,942,000.00	27,726,776.97	1,215,223.03
2. Automatic Appropriation				
Retirement and Life Insurance Premium	1,431,000.00	1,431,000.00	1,416,860.17	14,139.83
Sub-total	1,431,000.00	1,431,000.00	1,416,860.17	14,139.83
3. Special Purpose Fund				
Miscellaneous and Personnel Benefit Funds	367,466.00	367,466.00	367,465.32	0.68
Sub-total	367,466.00	367,466.00	367,465.32	0.68
Grand Total	30,740,466.00	30,740,466.00	29,511,102.46	1,229,363.54

The comparative financial position and financial performance of the Agency for CYs 2018 and 2017 are presented below:

Particulars	2018	2017	Increase / (Decrease)	%
Financial Position				
Assets	99,322,482.03	8,603,440.55	90,719,041.48	1,054.45%
Liabilities	539,634.09	646,895.98	(107,261.89)	(16.58%)
Net Assets/Equity	98,782,847.94	7,956,544.57	90,826,303.37	1,141.53%
Financial Performance				
Revenue	1,104,309,579.12	987,979,197.94	116,330,381.18	11.77%
Current Operating Expenses	30,467,281.31	29,169,994.54	1,297,286.77	4.45%
Surplus/(Deficit) from Current Operations	1,073,842,297.81	958,809,203.40	115,033,094.41	12.00%
Net Financial Assistance/Subsidy	29,618,648.07	28,191,556.47	1,427,091.60	5.06%
Surplus/(Deficit) for the period	1,103,460,945.88	987,000,759.87	116,460,186.01	11.80%

The significant increase in assets and net assets/equity of 1,054.45% and 1,141.53% is attributed to the billing for Government Share on Income from Toll Service Facilities which is recorded in the books as Accounts Receivable with a corresponding recognition of Income while the increase in revenues of P116,330,381.18 was due to intensified collection of supervision fees in CY 2018.

C. Operational Highlights

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

Particulars	2018 Targets	Accomplishments	Variance (Under)/Over
<i>Tollway Regulatory Program</i>			
<i>Outcome Indicator(s)</i>			
1. % decrease in toll road crashes	2%	(1.90%)	(3.90%)
2. % increase in average traffic volume in toll roads	2%	9.81%	7.81%
3. % decrease in the number of complaints received during public hearings on rate increase	5%	86.67%	81.67%
<i>Output Indicator(s)</i>			
1. % of complaints acted upon	80%	100%	20%
2. No. of inspection conducted	115	163	48
3. Increased kilometre-length of toll road	98	94.42	(3.58)

The negative accomplishment which consequently yields a negative variance under Outcome Indicator No. 1 on the decrease in toll road crashes was actually due to an increase in toll road crashes in CY 2018. The negative variance on Output Indicator also reflects that the TRB did not meet its target on increased kilometre-length of toll road.

D. Scope of Audit

The audit covered the accounts and operations of TRB for the year ended December 31, 2018. The audit was conducted to (a) verify the level of reliance that may be placed on the Management's assertions on the financial statements; (b) determine 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 the Financial Statements

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of TRB as at December 31, 2018 as misstatements amounting to P879,866.63 noted in the Office Supplies Inventory and Property, Plant and Equipment

accounts have an insignificant effect on the financial statements of the agency, representing only 0.88% of the agency's total assets of P99,322,482.03 as at year-end.

F. Summary of Other Significant Observations and Recommendations

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

1. Deficiencies in Accounting and Property Controls. (Observation No. 1.20)

- a. The non-conduct of the Physical Count of Inventories resulted in the non-submission of the Report on the Physical Count of Inventories (RPCI). Likewise, no periodic reconciliation of the Supplies Ledger Cards (SLCs) and Stock Cards (SCs) was conducted due to non-maintenance or unupdated SCs of the Supply Unit.

We recommended and Management agreed to:

- a. conduct the physical count of inventories and henceforth, submit the required RPCI;
 - b. designate a personnel to prepare, maintain and update the required SCs; and
 - c. ensure timely reconciliation of the SLCs, SC and RPCI by the Accounting and Supply Units.
- b. Non-preparation and maintenance of updated Property Cards (PCs) by the Property Officer.

We recommended and Management agreed to require the Property Officer to specifically designate a personnel to prepare, maintain and update the required Property Cards.

- c. Non-preparation of Inventory and Inspection Report of Unserviceable Property by the Property Officer.

We recommended and Management agreed to instruct the Property Officer to assign/designate a personnel to identify the unserviceable assets of the TRB and henceforth, prepare the IIRUP for the disposal of these unserviceable assets.

2. The TRB failed to comply with Section 72 of the General Provisions of General Appropriations Act (GAA) of CY 2018 and did not fully maximize the utilization

of its allotments received in CY 2018 amounting to P30,740,466.00 of which the amount of P29,511,102.46 or 96% thereof was obligated, leaving an unobligated balance of P1,229,363.54 as of December 31, 2018. Consequently, P27,824,398.00 or 95.63% of the total cash allocations received of P29,095,199.00 was utilized in CY 2018 while the unused balance of P1,270,801.00 was automatically reverted to the National Treasury as at year-end. **(Observation No. 2)**

We recommended and Management agreed to maximize the utilization of the programmed budget as well as implement procurement activities within the set timelines to prevent reversion of cash allocations to the National Treasury.

The above observations and recommendations were discussed with concerned Management officials in an exit conference conducted on April 10, 2019 and their comments were incorporated in this Report, where appropriate.

G. Summary of Total Suspensions, Disallowances and Charges

As of December 31, 2018, the TRB has no records of unsettled suspensions and charges but with unsettled disallowances issued before the 2009 Revised Rules on Settlement of Accounts (RRSA) amounting to P321,759.23. These were outright disallowances from 1997 to 1998 pertaining to unauthorized expenses and suspensions that matured into disallowances which have become final and executory 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 seven (7) outstanding prior year's audit recommendations as at January 1, 2018, four (4) or 57.14% were fully implemented as of year-end, and three (3) or 42.86% were partially implemented. The details are presented in Part III of this Report.