

## EXECUTIVE SUMMARY

### A. Introduction

Agusan del Norte is a third class province in the Caraga Administrative Region, proclaimed on January 5, 1968. It is formerly part of the Agusan Province which was subdivided into Agusan del Norte and Agusan del Sur upon the enactment of Republic Act No. 4979 on June 17, 1967. Butuan City, its previous capital, is still the seat of the provincial government as of CY2014 and shall continue to serve as such until the province's base of operations shall have been transferred to Cabadbaran, the new administrative center.

2. The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine Public Sector Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.

3. The audit covered the accounts and operations of the provincial government for the year 2014 and was aimed at ascertaining the propriety of financial transactions, management's compliance to prescribed rules and regulations and the fairness of the presentation of the financial statements. Value for money audit was also conducted on the selection and implementation of projects funded out of the 20% development fund to determine whether the objectives of the projects were attained in the most efficient, effective and economical manner.

### B. Financial Highlights

#### a) Comparative Financial Position and Results of Operations

Particulars	CY2014	CY2013	Increase/ (Decrease)
Assets	1,173,942,774.94	1,298,034,999.64	(124,092,224.70)
Liabilities	505,198,712.66	387,629,999.54	117,568,713.12
Government Equity	668,720,623.28	910,381,561.10	(241,660,937.82)
Income	729,819,195.10	631,162,886.16	98,656,308.94
Expenses	529,502,081.72	521,962,324.71	7,539,757.01
Net Income	200,317,113.38	115,932,000.45	84,385,112.93

b) Comparative Sources and Applications of Funds

Particulars	2014	2013	Increase/ (Decrease)
Appropriations	790,391,811.88	687,147,397.48	103,244,414.40
Allotment	790,391,811.88	687,147,397.48	103,244,414.40
Obligations	640,210,320.43	577,917,109.60	62,293,210.83
Funds received from other agencies	119,514,040.93	71,741,636.36	47,772,404.57
Funds received from NGOs/POs	-	-	-
Funds transferred to other agencies	30,000,000.00	10,500,000.00	19,500,000.00
Funds transferred to NGOs/POs	-	9,000,000.00	(9,000,000.00)

**C. Audit Opinion**

4. The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Province of Agusan del Norte for CY 2014 because of the following reasons:

- i. Medical equipment and non-expendable property transferred from the Department of Health-Center for Health Development (DOH-CHD) to the different hospitals maintained by the Province costing P27,254,910.65 were not recorded in the Province' books for failure of recipient hospitals to submit to the PGSO the documents covering the transfer of these equipment and property;
- ii. The validity and accuracy of Property, Plant and Equipment (PPE) accounts reflected in the Financial Statements as of December 31, 2014 totaling P533,878,489.36 could not be ascertained due to the unreconciled net variance of P71,177,861.04, between the records of the Provincial Accounting Office and the General Services Office, attributable to the non-maintenance of Property Ledger Cards and for non-provision of depreciation charges to PPE accounts with total acquisition cost of P166,349,085.88;
- iii. Unserviceable motor vehicles amounting to P6,692,567.30 covered with approved IIRUP were still included in the financial statements as of December 31, 2014 under the Property, Plant and Equipment account and disposal of the said properties has not yet been undertaken by the Province, hence, may result to its further deterioration and loss of additional income that could have been accrued to the government had they been disposed of through public auction;
- iv. Interests earned on time deposits and other accounts with various depository banks in CY2014 and in prior years amounting to more than P3,232,920.28 were recorded as Due to Other Funds account in Trust Fund and not transferred to General Fund, thus total income in the General Fund was understated and the Province was deprived for a source of additional income which could have

been appropriated for other development programs and projects that would benefit its constituents; and

- v. Inventory account balances of supplies and materials amounting to P10,325,281.55 as of December 31, 2014 is unreliable due to the failure of the different divisions/offices to conduct physical inventory and to submit utilization reports pursuant to Sections 121 and 124 of the NGAS Manual, Volume I.

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

5. In addition to the above-mentioned audit observations which have caused the issuance of a qualified opinion, the following are the other significant observations and the corresponding audit recommendations:

- i. Unutilized balances of PDAF/LGSF and other fund transfers from NGAs in the total amount of P18,373,941.17 were not remitted to the National Government through the Bureau of Treasury or returned to the source agencies and remained in the books of the Province as trust liability for a period of two (2) to five (5) years or more contrary to the provisions of PD 1445 & COA Circular No. 94-013, thereby exposing the funds to the risk of misappropriation.

We recommended to Management the following:

- a. Require the concern Office to submit explanation for the unimplemented programs and projects despite availability of funds since CY2010 to the present;
  - b. Revisit the corresponding Memorandum or Trust Agreement on funds for implemented programs and projects. If there was no provision pertaining to the balances, return the unused balances to the source agencies; and
  - c. Revert the unexpended balance of PDAF as of December 31, 2014 to the National Government through the Bureau of Treasury.
- ii. The Provincial Government through the Provincial Early Childhood Care and Development Coordinating Council (PECCDCC) and the Provincial ECCD Officer failed to submit copy of periodic physical and financial reports and other documents to CWC/NECCDCC thus, prevented the Auditor in verifying compliance by the Province with the implementation of the ECCD program and projects.

We recommended that the Provincial Accounting Office require the recipient municipalities to immediately submit liquidation reports for consolidation and submission to the Council for the Welfare of Children (CWC)/NECCDCC, copy furnished the Office of the Auditor. Also, immediate submission to this Office of the certified photocopy of financial reports submitted to the CWC in previous years and other documents is requested, for verification purposes.

- iii. The failure to maintain special accounts in the General Fund for loans, as required in Section 313 of RA 7160, resulted in the difficulty of ascertaining completeness of data on loan-related transactions, accuracy of the recorded loan balances and the status of projects funded out of the loan proceeds.

We recommended the following:

- a. The Provincial Accounting Office shall maintain a special account in the General Fund on all loans availed or contracted by the Provincial Government. Such special account shall hold all information pertaining to each loan, including the principal amount of loan as authorized by the Sangguniang Panlalawigan, the amount approved by the bank, the releases, payments of principal and interests and all receipts, transfers and related disbursements, to facilitate the determination that the loan proceeds are actually applied to the purpose of the loan; and
  - b. Separate financial statements shall be prepared by the Accounting Office for the special accounts in the General Fund at the end of the accounting period for the proper determination of assets, liabilities and equity. These financial statements must be attached as schedules to the General Fund financial statements.
- iv. The Province still failed to properly screen the projects prior to their inclusion in the priority list, such that problems that were “likely-to-occur” during project implementation were not considered, resulting in the non-completion/implementation of various priority projects costing P11,647,000.00 and P12,383,117.94 funded out of the 20 percent (20%) Development Fund for CY 2014 and Continuing Appropriations, respectively.

We recommended that the Local Development Committee revisit the programs, projects and activities listed in the Annual and Supplemental Investment Plans/20% Development Plan, Current and Continuing Appropriations, and to act on the following measures so that identified priority PPAs shall be fully implemented as planned:

- a. List/describe the programs, projects and activities in the AIP/Budgets/20% development plan not in generic term;
- b. In the preparation of the Annual Procurement Plan, request the BAC to prioritize the procurement of these PPAs and to strictly follow the schedule;
- c. Properly screen the project proposals submitted by the municipalities and barangays and prioritize the development projects that are readily implementable and with complete documents; and

Realign or reprogram the acquisition of medical equipment to other priority development PPAs to prevent further delays in the implementation and completion of these projects thereby attaining socio-economic development and environmental outcomes.

- v. Medical equipment and properties received from DOH-CHD-CARAGA were not utilized or operational due to non-availability of medical practitioner and the users were not fully trained to operate them, thus, the purpose of the program for enhancement of health facility may not be fully achieved and may expose the equipment to the risk of wear and tear.

We recommended and Management committed to coordinate with the PHO technical personnel and conduct re-evaluation of the actual need of the district hospitals and consider the transfer of the unutilized surgical equipment, instruments and other equipment which are still in crate and in box from the hospital where this equipment and instruments are located to the hospitals where these equipment could be fully utilized and operational.

6. The other significant audit observations and recommendations are discussed in detail in Part II of the report.

#### **E. Summary of total Suspensions, Disallowances, and Charges**

7. Audit suspensions and disallowances amounting to ₱ 22,541,313.92 and ₱ 1,030,125.00, respectively, remained unsettled contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

#### **F. Statement on the quantity/number of recommendations implemented, partially implemented and not implemented for the current year.**

8. Out of the twenty three audit recommendations contained in the CY 2013 Annual Audit Report, ten were fully implemented, twelve were partially implemented and one was not implemented.