

EXECUTIVE SUMMARY

A. Introduction

In 1903, Tadian was just a barrio with a population of fifty-six (56) people. It functioned as a Barangay of Kayan which was at that time the seat of the municipal government for a long time. On March 29, 1959, the late Congressman Luis Hora authored a bill which became Republic Act No. 2101 that transferred the site of the “municipyo” from Kayan to Tadian. This paved the way for Tadian to become a regular Municipality on June 25, 1963 under Executive Order No. 42.

The Municipality derives its mandate from Republic Act No. 7160, otherwise known as the Local Government Code of the Philippines. Consistent with local autonomy and decentralization, the Municipality shall be responsible for the delivery of basic services and facilities to its constituents. It shall be responsible in the implementation of community-based forestry projects, construction and maintenance of infrastructure facilities including the operation of municipal public markets, municipal cemeteries and tourism facilities, as well as for the provision for police and fire stations and municipal jail.

For CY 2020, the Municipality had a personnel complement of 123, comprised of 12 elective officials, 86 permanent officials/employees holding career positions and 25 casual/contractual employees.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided reasonable basis for the results of our audit.

The audit covered the operations of the Municipality of Tadian, Mountain Province for the Calendar Year 2020. A financial and compliance audit was conducted to examine the propriety of its transactions and the reliability and accuracy of financial reports and books of accounts. A performance audit also aimed to determine whether agency objectives were attained in relation to economy, efficiency, and effectiveness.

B. Financial Highlights

The comparative analysis of the agency’s financial condition, sources and application of funds for calendar years 2019 and 2020 is as follows:

I. Comparative Status of Financial Condition

Particulars	2020	2019	Increase/ (Decrease)	%
Assets	₱221,137,527.88	₱181,613,871.62	₱39,523,656.26	22%
Liabilities	56,052,720.47	37,673,845.30	18,378,875.17	49%
Equity	₱165,084,807.41	143,940,026.32	₱21,144,781.09	15%

II. Comparative Sources and Application of Funds

Particulars	2020	2019	Increase/ (Decrease)	%
Appropriation	₱141,784,440.26	₱104,242,943.86	₱37,541,496.40	36%
Revenue	119,042,821.75	96,561,159.80	22,481,661.95	23%
Expenses	₱99,368,714.08	₱ 85,971,437.31	₱13,397,276.77	16%

C. Operational Highlights

Particulars	Accomplishment	
	Qty.	Amount
Construction & Improvement of Roads, FMRs, Agricultural Facilities & Multi-Purpose Pavements	6	₱12,039,216.33
Construction & Improvement of Educational & Health Facilities, Open Gyms & Daycare Centers	3	4,137,708.44
Construction & Rehabilitation of pathways, footbridges, flood controls, drainage canals, water sanitation projects, public buildings	3	2,464,983.82

D. Independent Auditor's Report on the Financial Statements

An unmodified opinion was rendered on the fairness of presentation of the Financial Statements of the Municipality as of December 31, 2020.

E. Summary of Significant Observations and Recommendations

1. Submission of a copy of contract and all its supporting documents for the infrastructure project with a contract cost of ₱5,874,239.93 intended for the Construction/ Establishment of Quarantine Facility for COVID-19 PUIs, was not submitted to the Audit Team upon perfection.

In order to implement a systematic and effective review process with a view of generating timely and relevant audit results, we recommended and Management agreed to:

- a.) Immediately submit copy of the contract including all its supporting documents for review and evaluation; and
- b.) Strictly comply with the provisions of COA Circular No. 2009-001 in the submission of contracts including supporting documents to avoid administrative disciplinary action as provided in Section 127 of P.D. No. 1445.

2. Procurements made on medicines, equipment, supplies and materials charged against the Bayanihan Grant in CY 2020 totaling ₱5,207,245.80 were not supported with complete documentation contrary to the provisions of Government Procurement Policy Board Circular No. 01-2020 dated April 6, 2020, and Section 6 of Presidential Decree No. 1445.

We recommended and the Municipal Accountant agreed to submit immediately the lacking documents to the Audit Team for verification; and henceforth, ensure that all documentary requirements for emergency purchase under RA No. 11469 are complied with before certifying as to completeness of the supporting documents of the disbursement vouchers.

3. Purchase Orders on various procurement of equipment, supplies and materials, and other related expenses for COVID-19 programs, projects and activities totaling ₱7,206,541.00 were not properly accomplished contrary to Item B of COA Circular No. 96-010 dated August 15, 1996, thus, it cannot be ascertained whether delivery of the items conform to the terms and conditions of the agreement.

We recommended and Management agreed to henceforth, ensure that all the relevant and required information in the Purchase Order are properly accomplished to ensure that the supplier will deliver the goods/items in accordance with the terms and conditions of the contract.

4. The Municipality authorized the payment of Coronavirus Disease 2019 (COVID-19) Hazard Pay to its officials and employees in the amount of ₱1,210,000.00 despite the lack of documentary requirements contrary to DBM Budget Circular No. 2020-1 and COA Circular No. 2012-001.

We recommended that the abovementioned documents be immediately submitted to the audit team to ensure the validity and propriety of the amount claimed, and to avoid disallowance.

Henceforth, Management ensure that all claims against government funds must be supported with complete documentation.

5. Suppliers were not required to post a warranty security in the form of retention money or special bank guarantee contrary to Section 62.1 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184 as amended by GPPB Resolution No. 30-2017, resulting in the possible loss of funds or property in case of defective deliveries.

We recommended and Management agreed to henceforth, require its suppliers to post a warranty security by either retention money equivalent to at least one percent but not to exceed five percent of every progress payment, or a special bank guarantee equivalent to at least one percent but not to exceed five percent of

the total contract price, to make sure that manufacturing defects shall be corrected by the suppliers.

6. Expenses totaling ₱1,552,180.20 were charged to the lump-sum allocation of the Quick Response Fund (QRF) of the Local Disaster Risk Reduction and Management Fund (LDRRMF) of the Municipality even without a Local Sanggunian Resolution.

We recommended and Management agreed to henceforth, utilize the QRF only after issuance of a Local Sanggunian Resolution to support such release including an itemized utilization thereof pursuant to Item 5.1.3 of COA Circular No. 2012-002.

We further recommended and Management agreed that for succeeding transactions, an authorization from the Sanggunian be secured before any disbursement from a lump-sum appropriation is made pursuant to COA Memorandum No. 2010-014.

7. The Municipality did not prepare and submit a Summary/List of Donations Received, Distributed and Balances as required under COA Circular No. 2020-009, resulting in the delayed evaluation of the aids and donations received by the Municipality during the quarantine period.

We recommended and Management agreed to henceforth, ensure the preparation of the Summary/ List of Donations Received, Distributed and Balances and submit the same within ten working days after the end of each quarter to the NDRRMC, through the OCD and copy furnished the COA Auditors in accordance with COA Circular No. 2020-009 dated April 21, 2020.

8. The payment of BAC honoraria totaling ₱248,100.00 which was sourced out from the savings of the Municipality's local budget for CY 2020 was not supported with a Sanggunian Bayan ordinance contrary to DBM Budget Circular No. 2007-3 dated November 29, 2007 and R.A. No. 7160, thereby, resulting in the disbursement of public funds without proper appropriation.

We recommended and Management agreed to henceforth, ensure that succeeding payment of BAC honorarium sourced out from the agency savings shall be supported with a Sangguniang Bayan ordinance in accordance with the provisions of DBM Budget Circular No. 2007-3 and R.A. No. 7160.

9. Cash advances in the amount of ₱179,000.00 were granted to an elected official and employee contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997.

We recommended and Management agreed to stop the grant of cash advances to ineligible employees and ensure that henceforth, only regular and special cash

advances shall be granted to its officials and employees in accordance with the provisions of COA Circular No. 97-002.

10. The Municipality allowed the payment of monetization of leave credits to its officials and employees which was not in accordance with the Omnibus Rules on Leave.

We recommended that Management submit valid and justifiable reasons for the grant of 50 percent or more of accumulated leave credits to its two employees for the audit team's validation.

Henceforth, Management agreed to refrain from granting monetization of accumulated leave credits to its employees not in accordance with the provisions of the Omnibus Rules on Leave and COA Circular No. 2012-001.

11. Two infrastructure projects with an aggregate contract cost of ₱5,659,663.50 were implemented beyond the duration of the contract, incurring delays ranging from 34 to 80 calendar days, resulting in the failure of the Municipality to deliver these projects to the public on time.

We recommended and Management agreed to advise the Municipal Engineer to properly supervise the implementation of infrastructure projects to avoid delay and to attain the desired objectives of the projects.

Henceforth, Management agreed to ensure that all infrastructure projects be satisfactorily completed within the specified target completion dates in order for its constituents to enjoy the timely utilization of the project and its intended benefits that could be derived therefrom.

F. Summary of Total Notices of Suspension, Disallowance and Charge

As of December 31, 2020, the Notices of Suspension and Disallowances of the Municipality had a balance of ₱222,569.28 and ₱941,172.00, respectively. A total of ₱1,163,741.28 in audit suspensions and disallowances were issued within the year with a corresponding settlement of ₱57,712.00.

G. Status of Implementation of Prior Years' Audit Recommendations

Out of the 13 audit recommendations embodied in the CY 2019 Annual Audit Report, 12 were fully implemented and one was partially implemented by Management as of December 31, 2020.