

## EXECUTIVE SUMMARY

### A. Introduction

The LGU Natonin became a municipality of Mountain Province by virtue of Republic Act No. 4739 dated June 18, 1966. It is presently classified as a 4th class municipality and is composed of 11 barangays namely: Alunogan, Balangao, Banao, Banawel, Butac, Maducayan, Poblacion, Saliok, Santa Isabel, Tonglayan, and Pudo.

It derives its mandate from Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

The Municipality's programs, projects and activities (PPAs) are geared towards promoting effective governance to its inhabitants by delivery of basic, regular and direct services in coordination with other agencies, whether government, non-government or private entities.

For CY 2020, the Municipality had 124 plantilla positions of which 111 had been filled-up. There are ten elected officials headed by the Honorable Municipal Mayor Jose T. Agagon and Vice Mayor Christopher M. Bayowan.

### B. Financial Highlights

The comparative analysis of the agency's financial conditions, sources and application of funds for Calendar Years 2019 and 2020, are as follows:

#### I. Comparative Status of Financial Conditions

<b>Particulars</b>	<b>2020</b>	<b>2019</b>	<b>Increase/(Decrease)</b>	<b>Percentage</b>
Assets	₱164,656,681.95	₱140,360,304.87	₱ 24,296,377.08	17.31%
Liabilities	110,286,147.62	101,742,147.71	8,543,999.91	8.39%
Equity	54,370,534.33	38,618,157.16	15,752,377.17	40.79%

#### II. Comparative Sources and Application of Funds

<b>Particulars</b>	<b>2020</b>	<b>2019</b>	<b>Increase/(Decrease)</b>	<b>Percentage</b>
Appropriation	₱ 143,456,461.37	₱ 97,167,934.82	₱ 46,288,526.55	47.63%
Revenue	105,140,058.96	94,013,181.59	11,126,877.37	11.83%
Expenses	98,733,746.36	94,202,651.06	4,531,095.30	4.80%

### C. Operational Highlights

<i>Particulars (Construction/ Rehabilitation/ Improvement)</i>	<i>Targets</i>		<i>Accomplishment</i>	
	<i>No</i>	<i>Amount</i>	<i>No</i>	<i>Amount</i>
Irrigation/ Water Systems/ Reservoirs/ Drainage Canals	18	₱2,290,000.00	0	₱ 0.00
Footbridges and Footpaths	11	1,570,000.00	0	0.00
Barangay Roads/ Street and Hanging Bridge	4	4,359,024.34	0	0.00
Street Lights/ School Grounds and Toilets/ Fire Hydrant	5	760,000.00	0	0.00
<b>TOTALS</b>	<b>83</b>	<b>₱8,979,024.34</b>	<b>0</b>	<b>₱ 0.00</b>

### D. Scope of Audit

The audit covered the operations of the Municipality of Natonin, 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 Value for Money Audit was included to determine whether agency objectives were attained in an economical, efficient and effective manner.

### E. Auditor's Opinion on the Financial Statements

An unmodified opinion was rendered on the fairness of presentation of the financial statements.

### F. Summary of Significant Audit Observations and Recommendations

1. Loan proceeds in the amount of ₱3,749,512.20 were not utilized exclusively for the Construction of Natonin Public Market contrary to Section 2.02 of the Subproject Loan Agreement between the Municipal Development Fund Office and the Municipality of Natonin, Mountain Province, and Section 305(e) of Republic Act No. 7160.

We recommended and Management agreed to, henceforth, strictly utilize loan proceeds and other funds solely for its intended purpose in accordance with existing loan agreements and pertinent provisions of Republic Act 7160, to avoid administrative and legal sanctions.

2. Appropriated programs and activities in the Bayanihan Grant Supplemental Budget amounting to ₱3,600,000.00 were realigned by the Sangguniang Bayan for new programs, projects and activities through augmentation and not through

enactment of another Supplemental Budget contrary to Section 321 of Republic Act No. 7160.

We recommended and Management agreed to, henceforth, realignment of projects/programs/activities from one expense class to another shall be through Supplemental Budget duly enacted through an ordinance subject for review by the Sangguniang Panlalawigan pursuant to Section 321 of Republic Act No.7160.

3. One unit Mini Dump Truck amounting to ₱1,979,000.00 was awarded to a supplier which did not meet the requirements on Single Largest Completed Contracts (SLCC) contrary to Section 23.4.1.3 of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act No. 9184.

We recommended and the Bids and Awards Committee agreed to ensure, verify, validate, and ascertain the competence and experience of the Lowest Calculated Bid especially the requirement on SLCC pursuant to the 2016 RIRR of RA No. 9184, and to avoid disallowance in audit.

4. Thirty eight infrastructure projects under the 20% Development Fund totaling ₱8,979,024.34 remained unimplemented as at yearend, resulting in the deferment of the infrastructure assets' intended impact on social and economic welfare.

We recommended and Management agreed to fast track the conduct of detailed engineering activities to include, among others, the preparation of the program of work funded under the 20% Development Fund in CY 2020; and henceforth, adopt strategies in the timely conduct of the detailed engineering activities to avoid delays in the procurement and implementation of infrastructure projects under the Fund.

#### **G. Summary of Total Suspensions, Disallowances and Charges**

As at December 31, 2020, the disallowances and charges of the Municipality had balances of ₱2,035,021.98, including disallowances prior to the effectivity of the Rules and Regulations on Settlement of Accounts, and ₱10,500.00, respectively. No Notices of Suspensions were issued during the year.

#### **H. Status of Implementation by the Municipality of Prior Years' Audit Recommendations**

Of the 24 audit recommendations incorporated in CY 2019 Annual Audit Reports, 12 were fully implemented, 5 were partially implemented and 7 were not implemented by Management.

