

EXECUTIVE SUMMARY

Introduction

The Municipality of Ipil was created by virtue of the Executive Order (EO) No. 249 by the late President Elpidio Quirino on July 26, 1949. It is a first-class municipality of the Province of Zamboanga Sibugay. It is located in the northwestern section of the province along the south coast of the Zamboanga Peninsula. The municipality has 28 barangays distributed over a land area of 36,690 hectares with a population of 74,656 based on the 2015 census.

The LGU envisioned Ipil to be a climate change resilient place, economically developed, peaceful, with healthy, empowered, law-abiding and self-reliant constituents.

Audit objective

The objective of the audit is to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations. Performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures and management of resources.

Audit methodology

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated.

Scope of audit

An audit was conducted on the accounts and operations of the Municipal Government of Ipil for 2020. The audit consisted of review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, confirmation, inspection, and analysis of accounts, and such other procedures considered necessary.

Financial Highlights

The financial condition and results of operation of the LGU as at December 31, 2020 with comparative figures for 2019 are summarized as follows:

| Accounts | 2020 | 2019 | Increase/ Decrease |
|-----------------|------------------|----------------|-------------------------------|
| Assets | 1,073,961,047.43 | 993,887,794.87 | 80,073,252.56 |
| Liabilities | 221,339,994.12 | 221,096,414.01 | 243,580.11 |
| Equity | 852,621,053.30 | 772,791,380.86 | 79,829,672.44 |
| Revenue | 305,336,253.91 | 280,121,391.86 | 25,214,862.05 |

| Accounts | 2020 | 2019 | Increase/ Decrease |
|--|----------------|----------------|-------------------------------|
| Personnel Services | 124,407,577.59 | 125,325,113.22 | (917,535.63) |
| Maintenance and Other Operating Expense (MOOE) | 138,257,915.58 | 112,194,761.60 | 26,063,153.98 |
| Non-Cash Expenses | 22,268,275.08 | 21,294,430.96 | 973,844.12 |
| Financial Expenses | 9,096,957.67 | 8,578,729.43 | 518,228.24 |
| Net Surplus/ (deficit) | 59,041,016.62 | 7,104,736.59 | 51,936,280.03 |

Independent auditor's report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the FS for the year then ended, taking exception to the effects of the following:

1. Various meals and snacks and other food items in the total amount of P4,427,033.00 were improperly charged to Other Maintenance and Operating Expenses instead of the appropriate expense account/s;
2. The Accounts Payable balance cannot be relied since obligations already due and demandable as of December 31, 2020 were not accounted as liability;
3. Due to PhilHealth with ending balance of P3,529,542.92 is misstated due to: (a) account was debited for disbursements out of the PhilHealth Capitation Fund amounting to P2,389,897.80 net of tax; (b) no separate book of accounts; and (c) non-setting up of appropriate expense/asset contrary to COA Circular No. 2015-009;
4. Real Property Tax and Special Education Tax as of December 31, 2020 is misstated due to: (a) non-setting up of discount account for advance and prompt payment; (b) improper recording of fine and penalties account and (c) non-deferral of income; and
5. Borrowing costs amounting to P4,889,932.23 for loans used to finance Construction of Municipal Hall were not capitalized as part of the Property, Plant and Equipment and were treated as interest expense, thus, asset account is understated and expenses account is overstated as of December 31, 2020.

Significant audit observations and recommendations

In addition to the above-noted deficiencies, below are the significant audit observations and recommendations noted in the course of the audit:

1. Procurement of Drugs and Medicines and Medical, Dental and Laboratory Supplies amounting P16,337,515 were directly issued to end users and treated as outright expenses without setting up the inventory account;
2. Fund transfers from other LGUs recorded as Due to LGU totaling P2,200,000.00 remained a liability even after disbursements of P1,597,415.00, resulting to the overstatement of the liability account;
3. Fund transfers to different barangays totaling P569,008.32 out of the 20% Development Fund as of November 30, 2020 were recorded as Repair and Maintenance - Infrastructure Asset contrary with COA Circular No. 2015-009;

4. Transaction documents (Disbursement Vouchers, Payrolls, ORs, Liquidations and Other Adjustments) were not submitted within the reglementary period precluding the timely evaluation of such documents and any adjustments that may be identified in the process cannot be affected immediately; and
5. Prices of medicines procured amounting to ₱3,755,173.75 cannot be evaluated against the Philippine Drug Price Reference Index 2020 due to absence of basic data on Purchase Orders issued.

Summary of total suspensions, disallowances and charges as of year-end

The reported audit suspensions, disallowances and charges of the LGU as at December 31, 2020 were as follows:

| | Beginning Balance (As of 1/1/2020) | This Period January 1 to December 31, 2020 | | Ending Balance (As of 12/31/2020) |
|------------------------|---------------------------------------|---|------------------|---|
| | | NS/ND/NC | NSSDC | |
| Notice of Suspension | 2,437,238.16 | 87,262,026.35 | 27,806.04 | 89,671,458.47 |
| Notice of Disallowance | 425,903.59 | 0.00 | 3,212.00 | 422,691.59 |
| Notice of Charge | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 2,863,141.75 | 87,262,026.35 | 31,018.04 | 90,094,150.06 |

Status of prior years' audit recommendations

Of the 45 audit recommendations in the prior year's Annual Audit Reports (AARs), 14 were fully implemented and 31 were not implemented.