

EXECUTIVE SUMMARY

Introduction

The Municipality of Concepcion was created in 1935 by virtue of Republic Act (R.A.) No. 581. The name Concepcion was given by the Parish Priest of Banton in honor of the patron Saint Immaculate Conception.

Pursuant to Republic Act No. 7160, known as the 1991 Local Government Code of the Philippines, the Municipality like other local government units enjoys total independence in managing, deciding and planning its own administrative, fiscal supervision and management of municipal affairs.

The Municipality has three funds maintained namely: General, Special Education and Trust Funds.

Highlights of Financial Operation

For Calendar Year (CY) 2020, the Municipality generated a total income of P57,589,943 which is higher by P8,165,044 or 16.52% compared with last year's P49,424,899. The share from Internal Revenue Collections of P52,177,151 represents 90.60% of the total income. Other major sources of income are local taxes, permits and licenses, service, business and other income.

The total assets, liabilities, government equity, income and expenses for CY 2020 are as follows:

	<u>CY 2020</u>	<u>CY 2019</u>	<u>Increase/ (Decrease)</u>
Total Assets	P145,257,151	P141,701,697	P 3,555,454
Total Liabilities	25,987,998	41,343,332	(15,355,334)
Total Equity	119,269,153	100,358,365	18,910,788
Total Income	57,589,943	49,424,899	8,165,044
Total Expenses	45,114,228	39,586,518	5,527,710

Scope of Audit

Financial and Compliance as well as Performance Audits were conducted on the accounts and operations of the Municipality of Concepcion for CY 2020 particularly those contained in the Memorandum dated October 15, 2020 of the COA Local Government Sector (LGS). The audit was aimed to (a) determine whether Management presented fairly the financial statements in adherence to the International Public Sector Accounting Standards; (b) ascertain the level of assurance that may be placed on management's assertions in the financial statements; (c) evaluate the extent of

compliance with laws and regulations as well as the propriety and validity of transactions; (d) recommend agency improvement opportunities; and (e) determine the extent of implementation of prior years' audit recommendations.

Audit Opinion on the Financial Statements

The Audit Team rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Concepcion due to the following:

- a) The accuracy and reliability of the consolidated balance of Cash in Bank – Local Currency, Current Account (LCCA) of the Municipality as at December 31, 2020 amounting to ₱73,772,048 was doubtful due to the net unreconciled difference of ₱8,789,694 between the book and bank balance which remained unadjusted in the books of accounts contrary to Section 74 of Presidential Decree (P.D.) No. 1445 and COA Circular No. 96-011 dated October 2, 1996 thus, affecting the fair presentation of Cash in Bank accounts in the financial statements; and
- b) The accuracy and reliability of the balances of assets and liabilities accounts presented in the Financial Statements as at December 31, 2020 is doubtful due to the presence of negative balances totaling ₱214,169 and ₱417,064, respectively, contrary to Sections 111 and 112 of Presidential Decree (PD) No. 1445 otherwise known as the Government Audit Code of the Philippines.

Significant Observations and Recommendations

For the first exception cited above, we recommended and the Municipal Accountant and Municipal Treasurer agreed to immediately prepare adjusting entries to effect reconciliation of balances under the PhilHealth Capitation Fund and Calamity Trust Fund accounts and attached supporting documents for proper verification by the Audit Team on the correctness of the adjustments made. For the discrepancies noted under the General, Special Education and Trust Funds, exert extra effort to account for the unreconciled difference appearing in the bank statements and financial statements and to faithfully present the correct balances of the accounts.

For the second and last exception cited, we recommended that the Municipal Mayor instruct the Municipal Accountant to effect the necessary adjusting entries in the books of the agency to be able to present the accounts fairly in the financial statements.

For calendar year 2020, the following are the other significant observations and recommendations:

1. The validity, correctness and existence of the reported balances of the inventories and Property, Plant and Equipment (PPE) accounts as at end of the year valued at ₱1,543,593 and ₱58,155,295, respectively, could not be ascertained due to (a) failure of the Municipality to submit the Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of PPE (RPCPPE) contrary to Section 124, Volume I of the Manual on the New Government Accounting System (MNGAS) for Local

Government Units (LGUs); and (b) Infrastructure Assets recorded in the Trust Fund totaling ₱1,003,941 were not transferred to the General Fund books thus, affecting the fair presentation of the inventories and PPE accounts in the financial statements. **(Observation No. 3)**

We reiterated the previous year's audit recommendation that the Municipal Mayor:

- a. direct the Acting Municipal Treasurer/Inventory Committee to initiate the conduct of the complete physical count of all the inventories and property, plant and equipment of the Municipality at year-end to determine the validity and reliability of existence of its inventories and properties. The committee shall reconcile the results of the count with the property records and accounting records and submit the complete and accurate RPCI and RPCPPE to the Audit Team, pursuant to Section 124 of the Manual on NGAS for LGUs, Volume I. Coordinated efforts of the employees should be encouraged to be able to submit the required reports.

In case of discrepancies in the PPE account balances between the result of the physical count and the accounting records, the Inventory Committee may refer to COA Circular No. 2020-006 dated January 31, 2020 which provides the Guidelines and Procedures in the Conduct of Physical Count of PPE, Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies; and

- b. direct the Municipal Accountant to effect transfer of completed projects for LGU use from the Trust Fund to the General Fund so as to properly present PPE accounts in the Financial Statements.
2. Cash advances totaling ₱479,781 which were already due remained unliquidated as at December 31, 2020 due to the failure of the Municipality to enforce settlement thereof contrary to Section 89 of Presidential Decree (P.D.) No. 1445 and the guidelines set forth under COA Circular No. 97-002 dated February 10, 1997, thereby casting doubts on the accuracy and reliability of the balances in its financial reports as expenses drawn out from these cash advances were not recorded during the year of incurrence. Moreover, cash advances amounting to ₱21,592 were still classified as current assets which is not in accordance with paragraphs 70 and 76 of the International Public Sector Accounting Standards (IPSAS) 1, also affecting the fair presentation of the Financial Statements. **(Observation No. 4)**

We reiterated our prior years' audit recommendation that the Municipal Mayor (a) require immediate settlement of the outstanding cash advances of accountable officers who are still connected with the agency. Failure on the part of accountable officers and employees to settle/liquidate their cash advances shall constitute a valid ground for the withholding of the payment of any money due them; (b) for unsettled accounts of personnel who are already deceased, exhaust all remedies to collect or demand to settle the unliquidated cash advances, otherwise, apply for write off in accordance with the guidelines and procedures prescribed under COA Circular No. 2016-005 dated December 29, 2016; and (c) instruct the Municipal Accountant to properly

classify each cash advance transaction in accordance with COA Circular No. 2015-009 dated December 1, 2015 and properly classify long outstanding cash advances in the financial statements in accordance with paragraphs 70 and 76 of IPSAS 1.

3. The Municipality failed to establish and maintain a GAD database and incurred lapses/deficiencies in the implementation of the GAD Programs, Projects and Activities (PPAs) contrary to the provisions of the Philippine Commission on Women – Department of the Interior and the Local Government – Department of Budget and Management – National Economic and Development Authority (PCW-DILG-DBM-NEDA) Joint Memorandum Circular (JMC) No. 2013-01 dated July 18, 2013 as amended by PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2016-01 dated January 12, 2016, COA Circular No. 2012-003 dated October 29, 2012, the Government Procurement Manual (GPM), Volume II and Section 4(6) of Presidential Decree (P.D.) No. 1445 thus, gender responsive planning, programming and policy formulation were not ensured and also rendered the propriety of the disbursements made out of the GAD fund doubtful. (**Observation No. 5**)

We recommended that the Municipal Mayor (a) require the GAD Focal Person to be guided by COA Circular No. 2012-003 dated October 29, 2012 relative to irregular, unnecessary, excessive, extravagant and unconscionable (IUEEU) expenditures in the implementation of GAD programs; (b) require the Municipal Planning and Development Coordinator (MPDC) to spearhead the setting up and maintenance of the GAD database to serve as basis for gender-responsive planning, programming and policy formulation; (c) remind the Municipal Social Welfare and Development Officer (MSWDO) to refrain from procuring goods or supplies on reimbursement basis; (d) require the MSWDO and the Municipal Accountant to submit written explanation/justification and/or the required lacking documents to prove the regularity and legality of the subject disbursements; and (e) require the BAC to submit written explanation/justification on inconsistencies noted in the procedures undertaken relative to the procurement of snacks for the women's group meeting.

4. The Bids and Awards Committee (BAC) and its Secretariat and Technical Working Group (TWG) committed lapses in the procurement of the Upgrading of Local Access Road project in Barangay San Pedro, Concepcion, Romblon with a total contract amount of ₱10,531,805, resulting in various irregularities in its procurement procedures contrary to the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9184 thus, exposing the Municipality to risks in its project implementation. (**Observation No. 6**)

We recommended that the Municipal Mayor instruct the BAC to (a) furnish the Audit Team with a copy of the Contract of Agreement and its attachments within five working days from execution thereof as required under Section 3.1.1 of COA Circular No. 2009-001 dated February 23, 2009; (b) observe strictly the provisions of the 2016 Revised IRR of R.A. No. 9184 to ensure adherence to the principles of transparency, competitiveness and public monitoring; (c) strengthen internal control over the evaluation of bids and post-qualification of bidders; and (d) submit the lacking

documents cited above to the Audit Team to comply with the requirements of the 2016 Revised IRR of R.A. No. 9184 and address the deficiencies enumerated.

5. The Municipality incurred deficiencies in the utilization, reporting and accounting of the 5% Local Disaster Risk Reduction and Management Fund (LDRRMF) as follows: (a) non-submission of the Monthly Report on Sources and Utilization of DRRMF to the Audit Team within the prescribed period; (b) unutilized balance totaling ₱742,680 were not transferred to a special trust fund; and (c) lapses in the documentation and recording of various expenditures charged against the LDRRMF contrary to relevant provisions of COA Circular No. 2012-002 dated September 12, 2012, COA Circular No. 2015-009 dated December 1, 2015 and COA Circular No. 2012-001 dated June 14, 2012 hence, there is no assurance that the said fund was efficiently and effectively utilized. (**Observation No. 8**)

We recommended that the Municipal Mayor (a) require the MDRRMO and the Municipal Accountant to submit written explanation/justification and/or submit the required lacking documents to prove the regularity of the subject disbursements; (b) require the personnel in charge of the preparation of the Purchase Orders to ensure that instances wherein the suppliers have already signed in the conforme portion even prior to its issuance and deliveries of goods to the Municipality also even prior to the issuance of the POs are avoided; and (c) require the Municipal Accountant to (i) adhere strictly to the accounting and reporting guidelines for LDRRMF set forth in COA Circular No. 2012-002 specifically on the transfer of unutilized LDRRMF; (ii) see to it that all the necessary documentary requirements attached to the vouchers are accurate and complete before processing the claims; and (iii) prepare adjusting accounting entries to correct the deficiency noted in the recording of transactions.

8. The Municipality failed to submit Disbursement Vouchers (DVs)/Payrolls totaling to at least ₱1,609,254 thus, precluding the timely review and post-audit of the transactions and accounts contrary to relevant provisions of Section 7.2.1 Revised Rules and Regulations on Settlement of Accounts (RRSA) and Sections 44 and 49 of the New Government Accounting System (NGAS) Manual for Local Government Units (LGUs), Volume I. (**Observation No. 11**)

We recommended and the Municipal Accountant agreed to immediately submit the unsubmitted accounts. It is to be emphasized that non-submission of the lacking disbursement vouchers and payroll as well as relevant supporting documents shall warrant the outright issuance of Notices of Disallowance without prejudice to any administrative disciplinary action that may be instituted against the accountable officers as provided under Section 39 (3) of PD No. 1445;

9. The Municipality failed to fully implement the Programs, Projects and Activities (PPAs) under the current and continuing appropriations of the 20% Development Fund (DF) contrary to the Department of the Interior and Local Government and Department of Budget and Management (DILG-DBM) Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017 and Section 476 of Republic Act (R.A.) No. 7160 thus, exposing the Municipality to risk of non-attainment of the desired

socio-economic development and environmental outcomes to the detriment of the supposed beneficiaries. Moreover, the Municipality incurred lapses in the processing of payments and recording of disbursements charged against the 20% DF contrary to pertinent provisions of COA Circular No. 2015-009 dated December 1, 2015, Section 474 b(5) of R.A. No. 7160 and Section 68 of the 2016 Revised Implementing Rules and Regulations (IRR) of R.A. No. 9184, thereby casting doubt on the propriety of the disbursements and the reliability of the affected accounts in the financial statements. **(Observation No. 17)**

We recommended that (a) the Municipal Mayor along with the Municipal Planning and Development Coordinator and Municipal Engineer strictly adhere to the provisions of DILG-DBM JMC No. 2017-1 in the planning and implementation of the programs/projects/activities funded under the 20% Development Fund; (b) the Municipal Mayor and the Municipal Accountant see to it that goods are delivered on time. Imposed liquidated damages on the failure to deliver goods on the specific date indicated in the POs pursuant to Section 8 of the 2016 Revised IRR of R.A. No. 9184; (c) the Municipal Mayor instruct the (i) Municipal Engineer to include the cost of hauling and freight of materials for projects to be undertaken by administration in the Program of Works; and (ii) personnel in charge of the preparation of the PO to properly indicate the place where the goods are to be delivered by the supplier; and (d) the Municipal Accountant (i) see to it that all the necessary documentary requirements attached to the vouchers are accurate and complete before processing the claims; and (ii) prepare adjusting accounting entries to correct the deficiency noted in the recording of transactions.

Other observations are presented in Part II of the Report.

The above, together with the other findings and recommendations contained in the report were discussed with concerned municipal officials and staff. When appropriate, management's views and reactions were considered in the report.

Summary of Audit Suspensions, Disallowances and Charges

For CY 2020, there were unsettled Audit Suspensions and Disallowances of ₱6,045,391.75 and ₱620,000.00, respectively, as shown in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) as at December 31, 2020.

Status of Implementation of Prior Years' Audit Recommendations

Of the 27 prior years' audit recommendations embodied in the CY 2019 and prior years' Annual Audit Reports, four were fully implemented, 18 were partially implemented while five were not implemented.