

EXECUTIVE SUMMARY

INTRODUCTION

The Local Government of Manolo Fortich, Bukidnon was created under Republic Act 1720 which was approved on June 21, 1957. As a local government unit, it is mandated to provide basic services to its constituents and help improve their living condition. LGU Manolo Fortich's primary thrust is to reduce, if not eliminate, the poverty incidence in its area of jurisdiction by strengthening and sustaining the implementation of its Special Projects, intensifying its tax collection efforts, updating and revising the Local Revenue Code and increasing the profitability of their economic enterprise by employing marketing strategies.

The Municipal Government of Manolo Fortich is currently headed by the Hon. Clive D. Quiño and assisted by the Municipal Vice-Mayor Hon. Miguel D. Demata. The local Sanggunian is composed of the following personalities:

1. Hon. Reynaldo L. Bagayas, Jr.
2. Hon. Joy E. Cordovez
3. Hon. Warleo A. Goayan
4. Hon. Eliezer S. Onahon
5. Hon. Juanito I. Quiño
6. Hon. Raul S. Miñoza
7. Hon. Christy Leparto Salabe
8. Hon. Alberto B. Tinoy
9. Hon. Alex D. Payangga (IP Mandatory Representative)
10. Hon. Nelson S. Binayao (Liga ng mga Barangay President)
11. Hon. John Anthony G. Leyson (SK Federation Representative)

FINANCIAL HIGHLIGHTS

The municipality derived its income mainly from the Share on Internal Revenue Collections (or IRA) and supplemented with the revenues generated from business income, business taxes and real property taxes, business permits and licenses, and from other miscellaneous income.

The Municipality of Manolo Fortich projected a total income of ₱563,318,338.81 from its General and Economic Enterprise Funds, of which Seventy percent (70%) comes from the IRA and the remaining thirty percent (30%) from taxes, permits, licenses and income derived from the operation of its economic enterprise.

Comparative schedule of estimated income and actual income realized based on the financial statements as of December 31, 2020, showed that the actual income realized exceeded the target by ₱93,951,320.93 or 20 percent, as shown below:

Income Account	Actual (a)	Estimate (b)	Increase (Decrease) (c=a-b)	% Increase (Decrease) (d=c/b)
Tax Revenue	157,806,984.37	75,744,021.00	82,062,963.37	108%
*Operating & Miscellaneous Income	45,551,592.49	40,619,178.00	4,932,414.49	12%
Internal Revenue Allotment	298,010,136.00	298,010,136.00	-	0%
Income from Economic Enterprise	66,255,943.07	59,300,000.00	6,955,943.07	12%
TOTAL	567,624,455.93	473,673,335.00	93,951,320.93	20%

**Excluding Trust Fund Miscellaneous Income*

For CY 2020, the Local Government of Manolo Fortich has a Final Budget totaling P606,783,342.91 under General Fund (GF), Economic Enterprises (EE) and Special Education Fund (SEF) which was derived from the Annual Budget and two (2) Supplemental Budgets for GF and EE; and four (4) Supplemental Budgets for SEF enacted during the year. The Final Budget was appropriated for the following allotment class:

Allotment Class	General Fund	Economic Enterprise	SEF	Total
Personal Services	144,159,707.00	40,778,325.00	5,837,945.89	190,775,977.89
Maintenance and Other Operating Expenses	214,395,593.36	25,973,400.00	8,662,006.18	249,030,999.54
Capital Outlay	53,673,656.31	1,167,100.00	28,965,052.03	83,805,808.34
20% Development Fund	63,908,599.14	-	-	63,908,599.14
5% Local Disaster Risk Reduction and Managment Fund	19,261,958.00	-	-	19,261,958.00
TOTAL	495,399,513.81	67,918,825.00	43,465,004.10	606,783,342.91

At the end of the CY 2020, the total obligations incurred for the General Fund and Economic Enterprise totaled P481,762,458.86 resulting to a utilization rate of 86%. Meanwhile, the total obligations for the SEF amounted to P28,276,146.19 with a 65% utilization rate.

The Financial Condition, Results of Operation and Cash Flows of the Municipality of Manolo Fortich for the year ended December 31, 2020 are summarized as follows:

Financial Condition:

	2020	2019	Increase (Decrease)
Assets	1,847,999,573.81	1,591,415,460.07	256,584,113.74
Liabilities	613,003,201.98	599,862,349.47	13,140,852.51
Government Equity	1,234,996,371.83	991,553,110.60	243,443,261.23

Results of Operations:

	2020	2019	Increase (Decrease)
Income and Subsidies	734,885,591.48	495,961,733.80	238,923,857.68
Expenses	576,664,243	351,425,453.88	225,238,789.12
Net Income	158,221,348.48	144,536,279.92	13,685,068.56

Out of the ₱734,885,591.48 Income earned in CY 2020, ₱66,255,943.07 of which was the Other Business Income recognized in the books of the Economic Enterprise (one of the special accounts in the General Fund), which were collected or paid from the LGUs own general and 20% development fund for the usage of Heavy Equipment in the implementation of locally funded projects. Related expenses incurred in the usage of the Heavy Equipment were also part of the total expenses of ₱571,664,243.00 for CY 2020.

Cash Flows:

	2020	2019
Cash on Hand, beginning of the year	510,375,754.16	392,883,614.07
Add: Total Cash Inflows	813,588,966.70	684,177,986.95
Total Cash Available	1,323,964,720.86	1,077,061,601.02
Less: Total Cash Outflows	766,312,094.89	566,685,846.86
Cash on Hand, end of the year	557,652,625.97	510,375,754.16

SCOPE OF AUDIT

The audit covered the financial transactions and operations of the Municipality of Manolo Fortich for the calendar year 2020. The objective of the audit was to ascertain the fairness of presentation and reliability of the financial position and results of operations. A compliance audit was also conducted to check the validity and propriety of the transactions and adherence to pertinent laws, rules and regulations.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following:

- Large volume of unrecorded rice and canned goods inventories totalling P11.4 million and P1.4 million, respectively for COVID-19 affected beneficiaries were found to be stored in a warehouse not suitable for long-term storage as of March 3, 2021 and were not distributed to its intended beneficiaries, in violation of Section 2 of PD 1445 and Section 11 of COA Circular No. 2020-009, hence, exposing the rice to wastage, or probable loss of asset and understatement of Inventory account in the Statement of Financial Position of CY 2020.
- Ninety-five (95) Property, Plant and Equipment totalling ₱5,275,341.00 were not found upon physical count but still recorded as PPE in the Statement of Financial Position, thereby affecting the existence, accuracy and valuation of PPE, which is not in accordance with IPSAS 17.
- The Subsidiary Ledgers (SL) of various Property, Plant and Equipment accounts at year-end contained amounts for reconciliation totalling P8,796,119.71, thus imply the non-observance to the details required in Section 114 of NGAS Manual, hence, cast doubts on the reliability of the reported PPE balances in the Statement of Financial Position as of December 31, 2020.
- Funds from Trust Fund (TF), Special Education Fund (SEF) and Economic Enterprise (EE) for the withheld taxes on compensation, Expanded Withholding Tax (EWT) and final tax withheld at source (Business Tax) were not transferred on a monthly basis to the General Fund (GF) even though the Municipality remits to the BIR on a monthly basis, which is contrary to the fundamental principles stated in Section 305 (a) of RA 7160 otherwise known as Local Government Code of 1991, thereby, the GF incurred disbursement of funds not in pursuance to an appropriation's ordinance or law at the time the said Taxes on Compensation, EWT and Business Tax of EE, TF and SEF were remitted to the BIR.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition, the following is a summary of significant observations and recommendations in the audit and/ or evaluation of the operations of the Municipality of Manolo Fortich for the year 2020 which need immediate action. These and other audit observations and recommendations are fully discussed in Part II of this Report, and were discussed to concerned department heads and staff.

- There were sixty-five (65) instances of emergency procurement of goods related to COVID-19 pandemic totaling P2,938,041.26 which were not supported with Purchase Orders, in violation to GPPB Circular No. 01-2020 and Section 117 of NGAS thus, casts doubts as to the propriety and legality of the transactions and the procurement process undertaken.

We recommended to the Municipal Accountant and Procurement Division Head to ensure that Purchase Orders are prepared as binding contract between the LGU

and the suppliers for the delivery of goods as set forth in GPPB Circular No. 01-2020 and Section 117 of NGAS before proceeding with the payment to suppliers.

- Mandatory documentary requirements on negotiated procurement under emergency cases on purchases totaling P 3,067,422.40 were not complied by suppliers and, posting of NOA, PO, or NTP in the PhilGEPS website and any conspicuous place in the agency's premises was not done by the LGU, in violation to GPPB Resolution No. 05-2020 and GPPB Circular No. 01-2020 thus, casts doubt as to the propriety and legality of the transactions and the procurement process undertaken.

We recommended to the Municipal Accountant and BAC Secretariat to require the suppliers to submit the lacking documents cited above in order to facilitate the continuance of our audit. Furthermore, compliance to the documentary requirements set forth in COA and GPPB Joint Memorandum Circular No. 1 and GPPB Circular No. 01-2020 on procurement under emergency cases should be properly observed before proceeding with the payment to suppliers.

- Procurements of fuel totalling P9,417,486.51 were not done through Competitive Bidding, awarded only to one supplier and without Purchase Orders, in violation to Section 10 of RA 9184 and Section 117 of the NGAS Manual thus, cast doubts as to the propriety and legality of the transactions and the procurement process undertaken.

We recommended to the management to follow the correct procedures on the procurement of fuel as set forth in 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184 and Section 117 of NGAS Manual before proceeding with the payment to supplier.

- The LGU paid monetary awards to 227 officials and employees as PRAISE Incentives totaling P4,536,000.00 without satisfying the basic documentary requirements set forth in Civil Service Commission (CSC) Memorandum Circular No. 01, s. 2001, contrary to Sections 2 and 4 (4) of Presidential Decree 1445, thereby casting doubt on the validity and propriety of the disbursement.

We recommended to the management to exercise prudence and good sense in the utilization of government resources. Further, we recommend for the submission of the following documents in order to facilitate continuance of our audit and validate that the Municipality have met all the requirements warranting the grant of the monetary awards:

- a. Detailed Employee Suggestions and Incentive Awards System, and;
- b. Evaluation reports or any documentation recognizing suggestions, inventions, superior accomplishments and other personal efforts which resulted in monetary savings making the employees eligible for the monetary award.

- Final payments of 100% completed infrastructure projects were not supported with As-Built Plans and Warranty Security, in violation of Section 9 of COA Circular No. 2012-001 and Section 62 of RA 9184 thus, the absence of As-Built Plans preclude the inspection of the completed projects if they were actually constructed based on plans and specifications and the non-posting of Warranty Security leaves no guaranty of the contractor's liability for structural defects.

We recommended to the Municipal Engineer and Accountant to require the submission of the As-Built Plans and Warranty Security on every final payment of infrastructure contracts.

- Payments of salaries and other personnel benefits totalling P106.582 million through Authority to Debit Accounts (ADA) were made without Disbursement Vouchers as required under the NGAS Manual for LGUs thus, leaving no proof that the procedural requirements under the pertinent provisions of RA 7160 relevant to disbursement of money were properly complied with prior to the approval of such payments.

We recommended to the management to use Disbursement Vouchers in all ADA disbursements in order to ensure that all payments of the LGU were approved in accordance with the procedural requirements found under Section 344 and 374 of RA 7160.

- Advance deliveries of goods totaling P1,437,019.00 were made by suppliers before the BAC's Declaration of Lowest Calculated and Responsive Bid and signing of Purchase Order, in violation of the guidelines and timelines on procurement set by RA 9184 thus, cast doubts as to the propriety and legality of the transactions and the procurement process undertaken.

We recommended to the management to judiciously observe guidelines and timelines set forth by law to prevent same violation on its future transactions.

SUMMARY OF NOTICE OF SUSPENSIONS (NS), DISALLOWANCES (ND) AND CHARGES (NC) ISSUED

As of December 31, 2020, the total unsettled Notice of Suspensions and Disallowances issued amounted to P1,774,432.63 with the following breakdown:

	Balance as of Dec. 31, 2020
Notice of Suspension	1,533,770.60
Notice of Disallowance	240,662.03
TOTAL	1,774,432.63

STATUS OF IMPLEMENTATION OF PRIOR YEARS' RECOMMENDATIONS

Out of the twenty-five (25) unimplemented and partially implemented audit recommendations from CY 2013 up to CY 2019, sixteen (16) were fully implemented and nine (9) were partially implemented. Detailed tabulation is shown below:

Year	Total	Implemented	Partially Implemented	Not Implemented
CY 2019	12	11	1	0
CY 2018	5	4	1	0
CY 2017	3	0	3	0
CY 2016	1	0	1	0
CY 2015	3	0	3	0
CY 2013	1	1	0	0
Total	25	16	9	0