

EXECUTIVE SUMMARY

INTRODUCTION

The Local Government Unit of Impasugong was created by virtue of the declaration of Fray Mateo Bernard, Spanish Parish Priest, in June 1877, which was later approved by the Chief of the Second Politico Military District of Mindanao on September 6, 1877 and is currently classified as a 1st class municipality.

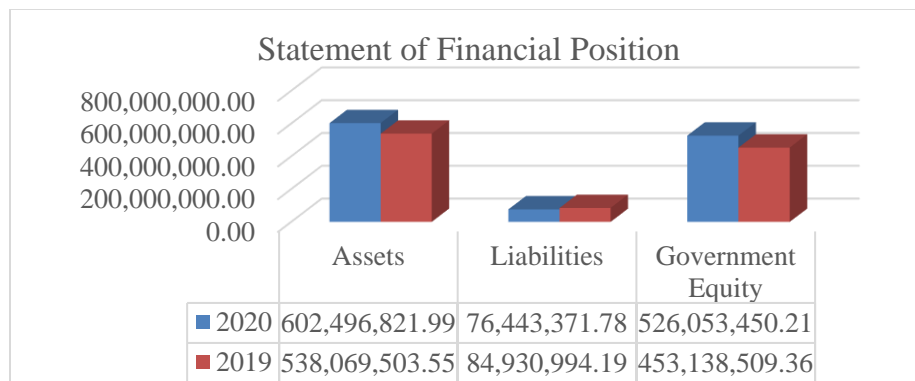
FINANCIAL HIGHLIGHTS

The Municipality of Impasugong appropriated the total amount of ₱ 427,891,213.20 in the General Fund and ₱ 4,822,208.00 in the Special Education fund for the calendar year 2020 or a total appropriation of ₱ 432,713,421.20 as follows:

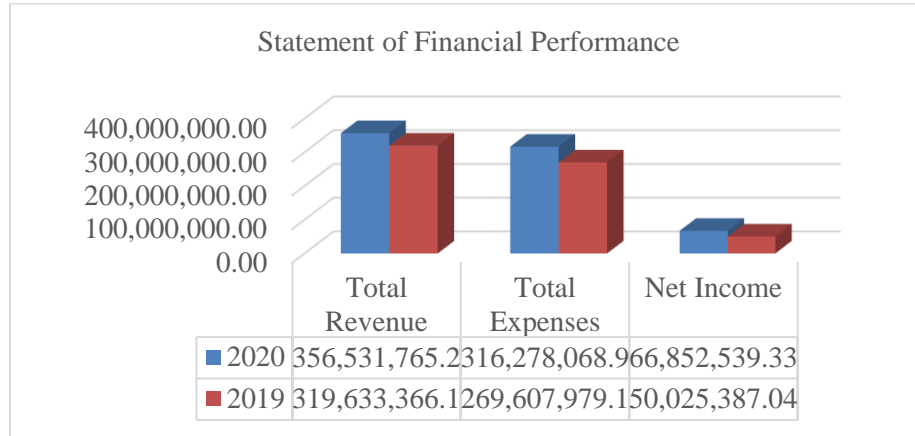
CY 2020	General Fund	SEF	Total
Personal Services	129,763,114.00	820,000.00	130,583,114.00
MOOE	174,230,674.62	2,198,000.00	176,428,674.62
Capital Outlay	34,726,357.00	1,804,208.00	36,530,565.00
20% Local Dev't. Fund	71,948,761.58	-	71,948,761.58
5% Calamity Fund	17,209,306.00	-	17,209,306.00
Aid to Barangays	13,000.00	-	13,000.00
TOTAL	427,891,213.20	4,822,208.00	432,713,421.20

Continuing appropriation for General Fund amounted to ₱ 72,821,191.66 and ₱ 2,331,316.87 for Special Education Fund. During the year, the municipality obligated a total of ₱ 49,799,844.90 and ₱ 694,935.33, respectively.

Comparative analysis of the Statement of Financial Position as graphically illustrated below showed increase in Assets, a decrease in Liabilities and increase in Government Equity in CY 2020:



Likewise, the Statement of Financial Performance exhibits increases in both revenues and expenses which also resulted to an increase in its net income:



For CY 2020, revenues derived from all sources totaled ₱ 356,531,765.25 including shares from Internal Revenue Allotment (IRA), grants and donations. Of the said amount, 90% represents the receipts of the IRA which amounted to ₱ 319,186,111.00, Total income of ₱ 356,531,765.25 was 12% more than last year's income amounting to ₱ 319,633,366.15.

SCOPE OF AUDIT

A financial audit was conducted on the accounts and financial operations of the Municipal Government of Impasugong, Bukidnon for the period January 1, 2020 to December 31, 2020. The audit was made to ascertain the fairness in the presentation of the financial statements and adherence of the municipality with laws, rules and regulations, and whether programs, activities and projects were carried out in an economical, effective and efficient manner. We also conducted compliance audit to check the validity and propriety of the transactions and adherence to pertinent rules and regulations. 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.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements as of December 31, 2020 due to the following:

1. Cattle and horses owned by LGU Impasugong were not recognized in the books of accounts maintained by the Municipal Accounting Office contrary to Description of Assets, Annex B of COA Circular No. 2015-009 dated December 1, 2015, thus, the Breeding Stocks and Government Equity accounts were understated by ₱ 1.206 million in the Statement of Financial Position (SFP) as of December 31, 2020 and may affect the fair presentation of the said SFP.

2. Accounts Payable recorded in the books of accounts of the General Fund at yearend thru Journal Entry Vouchers (JEVs) which aggregated to ₱ 20.526 million for CY 2020 was not properly substantiated with unpaid disbursement vouchers, obligation requests, unpaid payrolls, accomplishment reports, daily time records, purchase orders, purchase requests, delivery receipts, inspection and acceptance reports and the like contrary to Sections 4.6 and 59 of Presidential Decree No. 1445, thereby, precluding the auditor to validate the existence, correctness and veracity of the numerous claims.
3. Welfare goods such as rice and assorted groceries amounted to ₱ 14.398 million initially recorded as inventories were debited to “Donations” rather than “Welfare Expenses” upon liquidation in contrast to Description of Assets, Annex B of COA Circular No. 2015-009 dated December 1, 2015, thus, rendered the correctness and accuracy of the affected expense accounts doubtful.
4. Farm inputs such as seedlings, fertilizers, chicken dungs, rice, lime and the like granted by the LGU for the pilot plantation of rubber trees under the Rubber Plantation Program was not recognized and recorded as receivables in contrast to Description of Assets, Annex B of COA Circular No. 2015-009 dated December 1, 2015, thus, the Other Receivables and Government Equity accounts were understated by approximately ₱ 1.514 million in the Statement of Financial Position as of December 31, 2020.
5. Motor vehicles, equipment and tools recently procured by the LGU out of the unexpended Local Disaster Risk Reduction and Management Fund (LDRRMF) in the Trust Fund were not transferred and recorded as assets in the books of the General Fund at yearend contrary to Section 5.1.14 COA Circular No. 2012-002 dated September 12, 2012, thus, understating the Property, Plant and Equipment and Government Equity by ₱ 7,219,170.00 and exposure to theft and embezzlement which is prejudicial to the interest of the government.
6. The Municipality did not recognize and record the completed Philippine Rural Development Project of the LGU which was Concreting/Improvement of 5.040 km Kibenton – Intavas Farm to Market Road in its SFP, either in the TF-PRDP or GF, in contravention to Section 14 of IPSAS 17 and Annex B of COA Circular No. 2015-009 dated December 1, 2015, thereby, the PPE Accounts and Government Equity were understated by ₱ 55,399,368.17 as of December 31, 2020.
7. The reported cash balances reflected in the Statement of Sources and Application of Funds (SSAF) did not reconcile with the reported Cash in Bank balance in the SFP having a variance of ₱ 5,969,479.87 as of December 31, 2020 which was not in consonance to Section 27 of IPSAS and Section 6.4.1 of PRDP Financial Management Operations Guidelines, thus, rendered the accuracy of the said balances doubtful.

SUMMARY OF SIGNIFICANT FINDINGS 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 Impasugong for the year 2020 which need immediate action. These and other audit observations and recommendations are fully discussed in Part II of this report.

- 1. BAC Honoraria amounted to ₱ 144,630.00 were still paid by the LGU even if the mode of purchase was negotiated procurement and the procuring entity directly negotiated with previous suppliers in consideration to COVID-19 pandemic in contravention to Section 5.2 of DBM Budget Circular No. 2004-5A or the Guidelines on the Grant of Honoraria to Government Personnel Involved in Government Procurement, thus, the propriety and validity of the payments could not be ascertained.**

We recommended to the BAC Chairman to submit the lacking documents to COA immediately for further review and validation by the auditor and to justify the said claims. Further, discontinue the defraying of BAC honoraria on COVID-19 negotiated procurements where-in it directly negotiates with previous supplier, contractor or consultant and limit the payments only to procurements that are allowed and mentioned in the foregoing provisions in order to prevent disallowance in audit.

- 2. Grant of 2019 Performance-Based Bonus (PBB) to government officials and employees holding regular and casual positions was evenly made at 0.65 multiple of basic salary for the paid bonus amount in the absence of any written declarations from the responsible offices/ delivery units as basis for the equitable ranking in contrast to Section 7.1 of Memorandum Circular No. 2019-1 dated September 31, 2019, henceforth, the propriety and validity of the ₱ 3.387 million worth of bonuses could not be ascertained.**

We recommended to the Human Resource Head to submit the written declarations of the responsible offices/delivery units in the completion of each critical service or other key processes to justify the rating of “Best Delivery Unit” and to rationalize the grant of ₱ 3.387 million worth of Performance-Based Bonus at a 0.65 multiple of the basic salary that was defrayed by the LGU to qualified government officials and personnel in December, 2020.

- 3. Various official and employees of the LGU with unliquidated cash advances, after the reglementary period, in FY 2019 were granted with 2019 Performance-Based Bonus (PBB), a deviation to Section 7.1 of DILG DBM Memorandum Circular No. 2019-1 dated September 31, 2019 and rendered the payment of ₱ 596,161.86 gratuities an irregular disbursement.**

We recommended to the management to submit a legal basis, if possible, or a written justification of the said payment of 2019 Performance-Based Bonus amounted to ₱

596,161.86. The LGU must refrain from paying irregular expenditures, at all instances, in order to avoid suspension and disallowance in audit.

4. **Procurements of petroleum, oil and lubricant products totaling ₱ 8,528,573.87 were made through an alternative mode of procurement which was Direct Contracting instead of Competitive/Public bidding contrary to Section 10 of the Implementing Rules and Regulations of Republic Act No. 9184, thus, the propriety and validity of the purchases could not be ascertained.**

We recommended to the management to start procuring the POL requirements of the Municipality through competitive bidding in accordance with the provisions under Republic Act No. 9184 or the Government Procurement Law.

5. **The Bids and Awards Committee (BAC) did not submit the perfected contracts and purchase orders of numerous procurements of the LGU for CY 2020 with an accumulated contract cost of ₱ 33.8 million contrary to Section 3.1.1 of COA Circular No. 2009-001, thus, precluding COA to conduct a timely, systematic and effective auditorial, legal and technical reviews for early detection of errors/deficiencies in compliance to the directives of pertinent laws, rules and regulations and to guarantee the fairness of the written agreement..**

We recommended to the BAC Secretariat to immediately submit the copies of the perfected contracts and purchase orders of the abovementioned procurements with all the necessary supporting documents for review and verification by COA. In addition, for subsequent procurements the BAC Secretariat must make it certain that the contracts and purchase orders are submitted within the prescribed timeframe.

SUMMARY OF NS, ND, NC ISSUED DURING THE YEAR

For CY 2020, no additional Notices of Suspensions, Disallowances and NSSDC was issued. As of the end of December 31, 2020 a total amount of ₱ 404,291.69 remained unsettled as shown below:

Notices of:	Beg. Bal. (Jan. 1, 2020)	Issuances in CY 2020	Settlement in CY 2020	December 31, 2020 (Unsettled)
Suspension	297,096.67		-	297,096.67
Disallowance	107,195.02		-	107,195.02
Charge	-		-	-
Total	404,291.69	-	-	404,291.69

During the year, the audit team informed the management that the liability for COA disallowances which became final and executory should be paid by persons' liable immediately and in full unless there is a request for authority to pay in installment that is approved by the Commission.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the thirty (30) audit recommendations in CY 2019 to 2014, eight (8) were fully implemented, eighteen (18) were partially implemented and four (4) were not implemented.