

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Malita was created on November 17, 1936 by virtue of Executive Order No. 64. It was previously part of the Province of Davao del Sur but is now the capital and seat of government of the newly created Province of Davao Occidental by virtue of Republic Act (RA) No. 10360 dated January 14, 2013.

Pursuant to RA No. 7160, known as the Local Government Code of 1991, the Municipality, like other local government units, enjoys total independence in managing, deciding and planning its own administrative, fiscal, and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

It is composed of thirty (30) barangays whose populace depends largely on fishing and farming as means of livelihood. It is classified as a first-class municipality and is headed by Honorable Mayor Bradly L. Bautista. He is assisted by Vice Mayor Hon. Stefanie B. Dumama, 11 Sangguniang Bayan Members and 14 Municipal Heads of Offices.

B. Audit Methodology

The Commission has been implementing the risk-based audit in the conduct of its audit services. However, to meet the evolving development in public governance and fund management, the results-based approach in audit was incorporated. The integration of these two approaches called the Integrated Results and Risk-Based Audit (IRRBA) Methodology, was applied in the audit of the accounts and operations of the agency.

C. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Malita, Davao Occidental for calendar year ended December 31, 2020, on a test basis to ascertain the propriety of the financial transactions and compliance of the agency to prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

D. Financial Highlights

A comparative analysis of the financial position, financial performance, and sources and application of funds for the calendar years 2019 and 2020 is presented on the next page.

D.1 Financial Position and Financial Performance

Account	CY 2020 (In PhP)	CY 2019 (In PhP)	Increase (Decrease)	
			Amount (In PhP)	%
Assets	1,463,252,159.75	1,299,778,263.60	163,473,896.15	12.58%
Liabilities	721,089,614.71	637,025,486.87	84,064,127.84	13.20%
Equity	742,162,545.04	662,752,776.73	79,409,768.31	11.98%
Revenue	579,080,634.71	517,088,702.30	61,991,932.41	11.99%
Operating Expenses	496,520,760.31	418,720,022.86	77,800,737.45	18.58%
Add/(Deduct) Transfers, Misc. Income, Losses	24,486,623.21	(13,109,644.02)	37,596,267.23	286.78%
Surplus	107,046,497.61	85,259,035.42	21,787,462.19	25.55%

The total assets of the Municipality for the calendar year 2020 is P1,463,252,159.75 increased by 12.58% or P163,473,896.15 compared to CY 2019. The increase is attributable to the significant additions to Property, Plant and Equipment, and Receivables. Government Equity for CY 2020 in the amount of P742,162,545.04 increased by 11.98% or P79,409,768.31. Liabilities increased by 13.20% attributable to a significant increase in Loans Payable for the purchase of heavy equipment units and various infrastructures projects of the Municipality.

For CY 2020, the income increased by P61,991,932.41 or 11.99% compared to CY 2019 due to an increase in the Municipality's Share from Internal Revenue Allotment and local income. Total expenses also increased by 18.58% or P77,800,737.45 attributable to an increase in Personal Services requirements as a result of the implementation of salary increase and in Maintenance and Other Operating Expenses due to Welfare Goods Expenses- relief goods which were given to 30 Barangays.

D.2 Sources and Application of Funds

Description	2020 (in Php)	2019 (in Php)	Increase (Decrease) (in Php)	%
Current Legislative Appropriations				
PS	164,768,816.00	155,390,628.00	9,378,188.00	6.04%
MOOE	255,649,086.00	205,249,564.00	50,399,522.00	24.56%
Capital Outlay	108,863,243.00	106,265,945.00	2,597,298.00	2.44%
Debt Service	21,927,365.00	25,123,032.00	(3,195,667.00)	(12.72%)
Total	551,208,510.00	492,029,169.00	59,179,341.00	
Continuing Legislative Appropriations				
MOOE	0.00	0.00	0.00	0.00%

Description	2020 (in Php)	2019 (in Php)	Increase (Decrease) (in Php)	%
Capital Outlay	157,705,186.52	262,341,581.47	(104,636,394.95)	(39.89%)
Total	157,705,186.52	262,341,581.47	(104,636,394.95)	

ALLOTMENTS

	2020	2019	Difference	
			Increase/(Decrease)	
			Amount	%
Personal Services	175,005,752.00	159,636,939.86	15,368,812.14	9.63%
MOOE	268,115,418.19	232,748,042.14	35,367,376.05	15.20%
Capital Outlay	217,583,801.71	160,289,439.00	57,294,362.71	35.74%
Financial Expenses	0.00	23,527,243.61	(23,527,243.61)	(100.00%)
Total	660,704,971.90	576,201,664.21	84,503,307.29	

OBLIGATION

	2020	2019	Difference	
			Increase/(Decrease)	
			Amount	%
Personal Services	174,336,305.79	159,618,165.02	14,718,140.77	9.22%
MOOE	232,106,261.77	214,840,467.46	17,265,794.31	8.04%
Capital Outlay	184,595,427.51	114,894,923.87	69,700,503.64	60.66%
Debt Service	13,695,955.56	21,931,455.22	(8,235,499.66)	(37.55%)
Total	604,733,950.63	511,285,011.57	93,448,939.06	

E. Auditor's Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements due to non-provision of depreciation for various Property, Plant and Equipment with a net book value to P242,189,364.00 and non-disclosure in the Notes to the Financial Statements of the Road Networks account with carrying amount of P160.354 million

F. Summary of Significant Observations and Recommendations

Presented below are the significant audit observations and the corresponding recommendation, the details of which and other audit observations are presented in Part II of this report, the Management views and comments, including those offered during exit conference were incorporated in the report, where appropriate.

1. The Municipality did not strictly follow the guidelines on emergency procurement under Republic Act 11469 or the Bayanihan to Heal as One Act, as goods were already distributed to recipients before the issuance of the Notice of Award to suppliers, thus risking these transactions to be subject of suspensions.

We recommended to the Municipal Mayor the following:

1. Direct the BAC and Offices concerned to strictly follow the pertinent guidelines set for emergency procurement under the Bayanihan Act; and
2. Direct the Municipal Accountant to submit the lacking documents indicated above to preclude the issuance of Notices of Suspension.

2. Strict compliance with the guidelines and regulations on the Emergency Subsidy Program of DSWD during the COVID-19 pandemic was not observed, thus affecting the distribution of funds to its constituents and consequently, the liquidation thereof.

We recommended Management the following:

1. The MSWDO to devise a validation mechanism during the gathering of data from the beneficiaries. To avoid duplication of names or for similar names as to first name, surname, and middle name, a valid identification with a picture would suffice.
2. The Municipal Accountant and Municipal Treasurer to monitor the submission of payroll to facilitate the submission of the liquidation report.

Other significant audit observations and recommendations are presented in Part II of this Report.

G. Summary of Total Suspensions, Disallowances and Charges as at Year end

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

	Beg. Balance Dec. 31, 2019 (In PhP)	This Period Jan. 1 to Dec. 31, 2020 (In PhP)		Balance End Dec. 31, 2020 (In PhP)
		NS/ND/NC	NSSDC	
Suspensions	0.00	11,014,668.87	10,147,410.49	867,258.38
Disallowances	0.00	0.00	0.00	0.00
Charges	0.00	0.00	0.00	0.00
Total	0.00	11,014,668.87	10,147,410.49	867,258.38

H. Status of Implementation of Prior Years' Audit Recommendations

Of the fifty-six (56) audit recommendations in prior years' Annual Audit Reports, thirty-three (32) or 57.14% were fully implemented, eighteen (18) or 32.14% were partially implemented, and six (6) or 10.72% were not implemented, as at December 31, 2020.