

## **EXECUTIVE SUMMARY**

### **A. Introduction**

The Municipality of Sarangani was created by virtue of Presidential Decree No. 1550, series of 1980. Compared to other municipalities of the Province of Davao Occidental, it is the smallest and farthest town. Its geographical location is in the southern tip of the provincial mainland and south of the Municipality of Jose Abad Santos. The Municipality of Sarangani can be reached by riding on a pump boat thru regular route at Lion Beach, General Santos City with a travel time of eight (8) to ten (10) hours.

It is composed of twelve (12) barangays whose populace depends largely on fishing and agriculture for livelihood. Sarangani is classified as a fourth-class municipality. The present administration with a total workforce of one hundred twenty-eight (128) employees is headed by Honorable Mayor Virginia T. Cawa, as Local Chief Executive, assisted by Municipal Vice-Mayor Jose T. Cawa, Jr. and the ten (10) Department Heads.

### **B. Audit Methodology**

The Commission has been implementing the risk-based audit in the conducts of its audit services. However, to meet the evolving developments 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 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 Sarangani, Davao Occidental for the 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**

The financial condition and results of operations of the Municipality of Sarangani for calendar year 2020 as compared to the previous calendar year 2019 are shown below:

a) Financial Condition

	2020 (In PhP)	2019 (In PhP)	Increase (In PhP)	Percentage
Assets	222,668,878.84	211,664,897.40	11,003,981.44	5.20%
Liabilities	64,365,137.98	64,216,277.17	148,860.81	0.23%
Equity	158,303,740.86	147,448,620.23	10,855,120.63	7.36%

b) Results of Operations

Account Groups	2020 (In PhP)	2019 (In PhP)	Increase (Decrease) Amount	%
Revenues	115,029,859.46	90,970,818.00	24,059,041.46	26.45%
Current Operating Expenses	109,732,644.99	85,618,416.36	24,114,228.63	28.16%
Transfers and Subsidy From	12,000.00	0.00	12,000.00	0 %
Transfers and Subsidy To	0.00	0.00	0.00	0 %
Suplus (Deficit for the period)	5,285,214.47	5,352,401.64	(67,187.17)	(1.26%)

The total assets of the Municipality for the calendar year 2020 is P222,668,878.84 increased by 5.20% or P11,003,981.44 compared to calendar year 2019 attributable to the significant additions to Property, Plant and Equipment. Liabilities for CY 2020 increased by 0.23% due to releases from National Government and an increase in Accounts Payable of the Municipality. Government Equity for CY 2020 increased by 7.36% or P10,855,120.63 resulting from the surplus generated from operations.

For CY 2020, the revenue increased by P24,059,041.46 or 26.45% compared to CY 2019 due to increase in the Municipality's Share from Internal Revenue Allotment. Total expenses also increased by 28.18% or P24,126,228.63 attributable to increase in Personal Services requirements resulted from the implementation of salary standardization.

Below is the summary of allotment and obligations incurred for the year ended December 31, 2020:

c) Sources and Application of Funds

## APPROPRIATION

	2020	2019	Difference	
			Increase/(Decrease)	
			Amount	%
Personal Services	46,634,650.98	39,837,068.40	6,797,582.58	17.06%
MOOE	32,206,773.91	25,085,561.86	7,121,212.05	28.39%
Capital Outlay	29,517,033.97	28,693,689.74	823,344.23	2.87%
Financial Expenses	6,400,000.00	1,025,375.40	5,374,624.60	524.16%
<b>Total</b>	<b>114,758,458.86</b>	<b>94,641,695.40</b>	<b>20,116,763.46</b>	

## OBLIGATION

	2020	2019	Difference	
			Increase/(Decrease)	
			Amount	%
Personal Services	45,694,666.43	38,682,638.22	7,012,028.21	18.13%
MOOE	50,992,401.36	28,786,019.75	22,206,381.61	77.14%
Capital Outlay	17,367,878.74	17,485,317.38	(117,438.64)	(0.67%)
Debt Service	694,470.93	1,025,375.40	(330,904.47)	(32.27%)
<b>Total</b>	<b>114,749,417.46</b>	<b>85,979,350.75</b>	<b>28,770,066.71</b>	

### E. Auditor's Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of presentation of the financial statements due to improper computation of depreciation and non-disclosure in the Notes to the Financial Statements of the Road Networks account with carrying amount of P30.76 million and the practice of recording inventory items as outright expense which may cause material misstatements in assets and related expense accounts in the financial statements.

### F. Summary of Significant Observations and Recommendations

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

#### *Cash in Bank*

**Stale checks with a total amount of P263,017.12 were neither cancelled nor adjusted, in the books resulting in understatement of cash in bank accounts, contrary to**

**Section 104 of Government Accounting Manual (GAM) for Local Government Units.**

We recommended the following:

- a) The Municipal Treasurer shall send a written notice to the aforementioned payees for them to be aware of their outstanding checks. Notice to the payees shall be sent one month before the check becomes stale as required in Section 104 of GAM for LGUs. Stale checks in the hands of payees must be returned for cancellation and subject for replacement.
  
- b) If checks are returned by the payee, the Municipal Accountant shall request a certified copy of the DV from the Auditor for presentation to the Local Chief Executive who shall countersign the check. The cancelled check shall be reported and attached to the RCI prepared at the period of cancellation. The replacement check shall also be reported chronologically in the RCI.
  
- a) If the payees are untraceable or did not respond to the notice, the Municipal Accountant shall make the necessary adjusting entries as follows:

- a. For stale checks over 6 months but not over 2 years –

<i>Cash in Bank-LC, CA</i>	<i>P xxxxx</i>
<i>Liability Account</i>	<i>P xxxxx</i>

- b. For stale checks over 2 years (*in compliance with Section 97 of Presidential Decree No. 1445*)–

<i>Cash in Bank-LC, CA</i>	<i>P xxxxx</i>
<i>Prior Years Adjustment*</i>	<i>P xxxxx</i>
<i>(*to represent surplus adjustment)</i>	

***Emergency Subsidy Program of DSWD***

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

- 1. The MSWDO shall devise a validation mechanism during the gathering of data from the beneficiaries to avoid duplication of names. For similar names as to first

name, surname and middle name a valid identification with picture would suffice.

2. The Municipal Accountant and Municipal Treasurer shall monitor the submission of payroll to facilitate the submission of liquidation report.

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

**G. Status of Audit 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 Jan. 1, 2020 (In PhP)	This Period Jan. 1 to Dec. 31, 2020 (In PhP)		End. Balance Dec. 31, 2020 (In PhP)
		NS/ND/NC	NSSDC	
Notice of Suspension	574,480.00	4,883,441.89	1,634,430.33	3,823,491.56
Notice of Disallowance	879,283.85	0.00	632,086.60	247,197.25
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1,453,763.85</b>	<b>4,883,441.89</b>	<b>2,266,516.93</b>	<b>4,070,688.81</b>

**H. Status of Implementation of Prior Years’ Audit Recommendations**

Verification disclosed that out of the forty-seven (47) prior years’ audit recommendations, twenty-seven (27) or 57.44% were fully implemented and ten (10) or 21.28% were partially implemented while ten (10) or 21.28% were still not implemented.