

EXECUTIVE SUMMARY

A. Introduction

Commonwealth Act No. 51, otherwise known as the Charter of the City of Davao was issued on October 16, 1936. On June 19, 1965, Republic Act No. 4354 was enacted providing for the revised Charter of Davao City.

As a political subdivision of the national government and a corporate entity representing the inhabitants of its territory, the City Government of Davao (CGD) is responsible for the general welfare of its inhabitants, ensure and support among others, the (a) preservation and enrichment of culture; (b) promote health and safety; (c) enhance the right of the people to a balanced ecology; (d) encourage and support the development of appropriate and self-reliant scientific and technological capabilities; (e) improve public morals; (f) enhance economic prosperity and social justice; (g) promote full employment among its residents; (h) maintain peace and order; and (i) preserve the comfort and convenience of the inhabitants.

Davao City is said to be the largest city in the world in terms of land area consisting of approximately 244,000 hectares. It is composed of three (3) congressional districts, represented by twenty-seven (27) councilors, and subdivided into eleven (11) administrative districts, with one hundred eighty-two (182) barangays. For its elective officials, Atty. Sara Z. Duterte serves as City Mayor with Mr. Sebastian Z. Duterte as the City Vice Mayor. For its appointed officials and personnel, the CGD has 2,603 plantilla personnel, augmented by 16,336 personnel under job orders and contract of service, as of December 31, 2020.

B. Audit Methodology

The Commission has been implementing the risk-based approach in the conduct 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 audit of the accounts and operations of the City Government.

C. Scope of Audit

The financial and compliance audits were conducted on the accounts and transactions of CGD for the year ended December 31, 2020, on a test basis, to ascertain the propriety of the financial transactions and compliance of the agency to prescribed laws, 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 financial statements.

In keeping with the identified audit thrusts by COA - Local Government Sector for CY 2020, the following areas were looked into by the Audit Team, viz:

1. COVID-19 Fund Receipts, Allocation and Utilization
 - a. Budget
 - b. Procurement
 - c. Local Government Support Fund
 - d. Grants and Donations
 - e. Annual Investment Plan/ Local Disaster Risk Reduction Investment Plan
 - f. Utilization of Funds
 - g. Distribution of Benefits and Entitlement
 - h. Reporting
2. Cash and Cash Equivalents
3. Property, Plant and Equipment
4. Inventories and Supplies for Distribution and for Operation and the corresponding Expense accounts if utilized
5. 20% Development Fund
6. Local Disaster Risk Reduction and Management Fund
7. Cash Advances
8. Loans Payable
9. Gender and Development Fund
10. Compliance with Tax Laws

Follow-ups regarding the preceding years' audit reports were conducted during the year on the extent of compliance by the agency on the audit recommendations. These are presented under Part III of this report.

D. Financial Highlights

A summary of the financial position, performance, and appropriations of CGD for Calendar Year 2020 as compared to the previous year (2019) is presented below:

Financial Position and Performance

Accounts Group	2020	2019	Increase (Decrease)	% Change
Assets	P 23,664,385,255.91	P 19,783,846,192.53	P 3,880,539,063.38	19.61
Liabilities	7,447,155,160.04	5,367,759,769.72	2,079,395,390.32	38.74
Equity	P 16,217,230,095.87	P 14,416,086,422.81	P 1,801,143,673.06	12.49
Revenue	P 11,117,585,998.13	P10,301,439,430.41	P 816,146,567.72	7.92
Current Operating Expenses	9,872,438,762.73	8,383,908,353.85	1,488,530,408.88	17.75
Transfers and Subsidy From	708,451,733.95	207,200,853.86	501,250,880.09	241.92
Transfers and Subsidy To	335,034,348.68	200,447,500.00	134,586,848.68	67.14
Surplus (Deficit) for the period	P 1,618,564,620.67	P 1,924,284,430.42	(P 305,719,809.75)	(15.89)

Sources and Appropriation of Funds

Fund Type	2020	2019	Increase (Decrease)	% Change
General Fund	P13,112,201,228.31	P11,007,092,328.37	P 2,105,108,899.94	19.13
Special Education Fund	815,476,618.74	709,547,452.73	105,929,166.01	14.93

Total budget appropriations for CY 2020 had increased by P2,105,108,899.94 or 19.13% for General Fund, and likewise, the Special Education Fund had increased by P105,929,166.01 or 14.93%. The components of current year appropriations are shown below:

	General Fund	Special Education Fund
Personal Services	P 1,754,945,353.91	P 9,905,772.48
Maintenance and Other Operating Expenses	8,646,835,723.66	450,660,988.94
Capital Outlay	2,523,374,217.74	354,868,000.00
Loan Amortization	119,808,469.07	0.00
Financial Expenses	9,082,970.93	0.00
Unappropriated	58,154,493.00	41,857.32
TOTAL	P 13,112,201,228.31	P 815,476,618.74

E. Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the (i) Property, Plant, and Equipment accounts amounting to P9,489,214,543.94, representing 40.10% of the P23,664,385,255.91 Total Assets as of December 31, 2020, could not be ascertained as to its validity, correctness, and existence, due to absence of an actual count neither submission of RPCPPE; and (ii) Inventory account balances amounting to P97,086,499.70 are doubtful and unreliable because there had been no actual count conducted nor an RPCI was submitted to validate such recorded balances, neither a reconciliation was made possible between the supply records and accounting records, both resulted from the unprecedented Covid-19 restrictions.

F. Summary of Significant Observations and Recommendations

1. Procurements of goods totaling P199,903,480.00 intended for constituents affected by the COVID-19 pandemic were not properly supported with the required documents, contrary to existing rules and regulations, thus affecting the legality and propriety of the transactions.

We recommended that the Management reminds its responsible offices:

- 1.1 CGSO – Ensure that required supporting documents for all procurement of goods are complete following the existing rules and regulations, and submit copies of AIR of deliveries of goods within 24 hours from acceptance to enable this office to conduct a timely review and validation;

1.2 BAC – Comply with the requirement on the submission to COA copy of perfected purchase orders and its supporting documents irrespective of amount within five working days from issuance thereof; and

1.3 CAO – Ensure that all claims are supported with complete and proper documents before processing for payment to avoid suspension in audit.

2. Goods procured totaling P309,937,794.13, in response to the covid-19 pandemic, were directly negotiated with suppliers by representative/s from the City Mayor's Office (CMO) without a written delegation of authority from the Head of Procuring Entity (HoPE) on such conduct of procurement activities thru Negotiated Procurement (Emergency Cases), contrary to Item Nos. 3 and 4 of the GPPB Resolution No. 03-2020, dated March 9, 2020.

We recommended that henceforth, the management direct its concerned CMO staff/representative, who negotiated with suppliers and/or the BAC on the procured goods totaling P309,937,794.13, to obtain/submit the required appropriate delegation authority from the HoPE, in accordance with Item No. 3 of the GPPB Resolution 03-2020 dated March 9, 2020.

3. Procurement of various items amounting to P325,137,794.13 during COVID-19 pandemic, through Negotiated Procurement under Emergency Cases modality, were deficient of the required documents, and inconsistent with the laws, rules and regulations, thus affecting the legality and propriety of procedures in the procurement.

We recommended that the Management reminds its responsible offices:

3.1 CGSO – Ensure that required supporting documents for all procurement of goods are complete following the existing rules and regulations, and submit copies of AIR of deliveries of goods within 24 hours from acceptance to enable this office to conduct a timely review and validation;

3.2 BAC – Comply with the requirement on the submission to COA of copy of perfected purchase orders and its supporting documents irrespective of amount within five working days from issuance thereof, and adhere to documentary requirements stated in the GPPB Resolution No. 03-2020. Require the BAC Secretariat to post all procurement opportunities, results of bidding and related information in the PhilGEPS bulletin board, agency's website and any conspicuous place in the premises of CGD; and

3.3 CAO – Ensure that all claims are supported with complete and proper documents prescribed in COA Circular Nos. 2009-002 and 2012-001 prior to processing of transactions for payment.

4. The distribution of 1,013,016 grocery packs costing P469,398,480.00 during the community quarantine for CY 2020 was not properly documented and reported which

hindered the timely and complete audit of the funds, hence it could not be ascertained whether the relief goods were actually and properly distributed to the intended beneficiaries.

We recommended that the Management reminds the CGSO/CSWDO/CAO to:

- 4.1 Submit the required supporting documents to the Audit Team to facilitate further verification of the receipt and distribution of relief goods;
 - 4.2 Strictly adhere to the provisions of the existing rules and regulations on the accounting, reporting, and utilization of the government funds;
 - 4.3 Improve the distribution of relief goods to victims of calamities and pandemics to fully serve the intended purpose.
5. COVID-19-related procurements utilizing Bayanihan Grant for Cities and Municipalities (BGCM) funds totaling P24,086,954.50 did not fully adhere to the GPPB Circular 01-2020 dated 06 April 2020 or the Guidelines for Emergency Procurement under RA 11469 or the Bayanihan to Heal as One Act particularly on the documentary and posting requirements, casting doubt on CGD's compliance with procurement standards.

We recommended that Management require the BAC and BAC Secretariat to:

- 5.1 Ensure that all procurement of highly needed supplies, materials, equipment, utilities, telecommunications, and other critical authorized services under RA 11469 adhere to the documentary requirements set forth under GPPB Circular 01-2020.
- 5.2 Observe strict compliance to Section 9 of GPPB Circular 01-2020 and GPPB Advisory 05-2020.

G. Summary of Total Suspensions, Disallowances and Charges

As at December 31, 2020, the status of suspensions, disallowances and charges issued, as a result of post-audit of accounts during the period January to December 2020, is presented as follows:

Particulars	Beg. Balance Dec. 31, 2019	This Period		Ending Balance Dec. 31, 2020
		NS/NS/NC	NSSDC	
Notice of Suspension	P 0.00	P 0.00	P 0.00	P 0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	P 0.00	P 0.00	P 0.00	P 0.00

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 84 audit recommendations of prior years, 33 were fully implemented, 46 were partially implemented and five (5) remained unimplemented.