

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Liloan was founded sometime in 1820. It has a land area of 9,630 hectares. Liloan is a 4th class municipality, composed of 24 barangays headed by Municipal Mayor, Shirlita Y. Chong. As of December 31, 2020, the Municipality has a total personnel complement of 144, as follows:

<u>Category</u>	<u>Number</u>
Permanent	37
Elective	12
Co-terminus	1
Casual	37
Job Order	57

An audit was conducted on the accounts and financial transactions of the Municipality of Liloan, Southern Leyte for CY 2020 particularly audit thrusts identified in the Specific Audit Instructions contained in the Memorandum dated October 15, 2020 of the Assistant Commissioner, Local Government Sector (LGS), this Commission. Part II of this Report contains the audit exceptions on the 2020 Audit Thrusts for the Local Government Sector and other high-risk accounts.

The audit was conducted to ascertain the propriety of financial transactions, the accuracy of financial records and reports as well as compliance of management with laws, rules and regulations on the pre-determined audit thrusts/areas and the extent of implementation of prior years' audit recommendations.

FINANCIAL HIGHLIGHTS

The financial condition, financial performance and sources, as well as application of funds are shown below:

Particulars	2020	2019
Financial Position		
Assets	482,966,913.00	404,120,074.10
Liabilities	140,975,658.07	115,658,518.21
Government Equity	341,991,254.93	288,461,555.89
Financial Performance		
Revenue	48,760,480.63	16,101,427.50
IRA (Internal Revenue Allotment)	90,533,044.00	80,568,762.00
Total Expenses	83,497,566.57	68,089,056.99
Transfers, Assistance and Subsidy to	2,448,628.06	3,393,932.75
Sources and Application of Funds		
Appropriations/Allotment	204,310,142.25	140,138,545.19
Obligation	98,724,099.11	96,003,691.91
Unobligated Balance	105,586,043.14	44,134,853.28

Funds Received from Other Agencies

	2020	2019	Increase/Decrease
NGAs	26,318,335.52	33,032,862.89	(6,714,527.37)
LGUs	3,897,894.08	4,472,914.75	(575,020.67)
NGO/POs	0.00	0.00	0.00
Others	0.00	0.00	0.00
Total	30,216,229.60	37,505,777.64	(7,289,548.04)

Funds Transferred to Other Agencies

	2019	2018	Increase/Decrease
NGAs	0.00	0.00	0.00
LGUs	117,817.52	117,817.52	0.00
NGO/POs	0.00	0.00	0.00
Others	125,201.04	97,735.00	27,466.04
Total	243,018.56	215,552.52	27,466.04

OPINION OF THE AUDITOR ON THE FAIRNESS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

- 1. The balance of the Cash in Bank – Local Currency, Current Account in the amount of ₱126,275,784.90 as of December 31, 2020 is unreliable due to: a) unreconciled difference of ₱10,750,151.32 between the book and bank balances; b) discrepancies of ₱1,540,154.71 between the balances reported per Statement of Financial Position (SFPos) as at year-end and per Bank Reconciliation Statements (BRSs); c) unidentified reconciling items amounting to ₱113,628.38; and d) stale checks totaling ₱47,300.45 contrary to Commission on Audit (COA) Circular No. 96-011 dated October 2, 1996 and Section 104 of the Government Accounting Manual (GAM) for LGUs Volume I.**

We recommended to the Municipal Mayor that the Municipal Accountant:

- Reconcile the balance per bank and per books;
- Trace the details of the unidentified reconciling items;
- Prepare journal entries to recognize the reconciling items and to correct the Cash in Bank - Local Currency, Current Account balance.

- d) Review the long outstanding/stale checks and secure the addresses of the payees for notification of the return of stale checks in their possession for replacement;
- e) Prepare the following journal entries for the cancellation and replacement of stale checks:

	Account Title	Account Code	Debit	Credit
Check Cancellation	Cash in Bank - LCCA	1-01-02-010	xxx	
	Accounts Payable	2-01-01-010		xxx
Replacement	Accounts Payable	2-01-01-010	xxx	
	Cash in Bank - LCCA	1-01-02-010		xxx

- 2. **The existence and valuation of the carrying value of the Property, Plant and Equipment (PPE) account of ₱306,933,109.55 as of December 31, 2020 was not ascertained due to: a) unreconciled difference of ₱1,003,349.77 between the balances per accounting records and per Report on the Physical Count of Property, Plant and Equipment (RPCPPE); and b) non-maintenance of the revised accounting and property records such as subsidiary ledger cards and property cards contrary to Sections 266 and 269 of the Government Accounting Manual (GAM) for Local Government Units (LGUs).**

We recommended that the Municipal Mayor:

- 1. Direct the Municipal Accountant and Municipal Treasurer to: a) reconcile their records and determine the causes of the variance for proper disposition; and b) prepare/update property cards and subsidiary ledger cards with the required information; and
- 2. Require the inventory committee to conduct periodic physical count of all PPE and prepare RPCPPE with complete data for each item, as basis for reconciliation with the accounting records, control accounts and Supply Unit's property records. Also, furnish the Audit Team a copy of the duly accomplished RPCPPE not later than January 31 of each year in accordance with the GAM for LGUs.
- 3. **The accuracy and valuation of the Inventories of ₱5,128,925.63 as of December 31, 2020 was not ascertained due to: a) unreconciled difference of ₱125,136.00 between the balances per accounting records and per Report on the Physical Count of Inventories (RPCI); and b) non-maintenance of Supplies Ledger Card (SLC) by the accounting office contrary to Sections 194 and 202 of the Government Accounting Manual (GAM) for Local Government Units (LGUs).**

We recommended that the Municipal Mayor:

- 1. Direct the Municipal Accountant and Municipal Treasurer to: a) reconcile their records and determine the causes of the variance for proper disposition; and b) prepare/maintain supplies ledger cards with the required information; and

2. Require the inventory committee to conduct periodic physical count of all Inventories and prepare RPCI with complete data for each item, as basis for reconciliation with the accounting records, control accounts and Supply Unit's records. Also, furnish the Audit Team a copy of the duly accomplished RPCI not later than January 31 of each year in accordance with the GAM for LGUs.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS OTHER THAN THE BASES FOR THE QUALIFIED OPINION

Other significant audit observations noted during the audit which need to be addressed together with the corresponding recommendations are summarized below. These are discussed in detail in Part II of the Report. Management views and comments were incorporated in the report where appropriate.

4. **Emergency Subsidy Program (ESP) totaling P15,565,000.00 were given to 3,113 payees, out of 3,373 targeted beneficiaries, their legal identities cannot be validated due to absence of Social Amelioration Cards (SACs), the documentary evidences qualifying them as target beneficiaries as provided in Section 5.7 of Joint Memorandum Circular (JMC) No. 1 s of 2020, and Section 5 of Republic Act (RA) No. 11469, which led to the occurrence of cancellations, disqualifications, and return of beneficiaries' cash subsidies.**

We recommended that local government officials concerned read and follow guidelines that are created/issued for the implementation of the ESP thereby, enabling the measures adopted to respond to the crisis brought by the COVID-19 pandemic and become effective and efficient.

5. **The Tulong Pangkabuhayan sa Ating Disadvantaged/Displaced Workers (TUPAD) – Bahay Ko Barangay Ko (BKBK) Project totaling P91,000.00 was given by DOLE for 28 beneficiaries whose legal identities were not validated due to lacking documentary evidences such as qualifying documents that beneficiaries were eligible to avail of the assistance, letter of intent, work program, summary list of beneficiaries as provided in Sections 7.5.5 of Joint Memorandum Circular (JMC) No. 1 s of 2020, and Subtitle III, Section 14 of DOLE Department Order No. 173 s 2017, which led to inadequate implementation of payouts.**

We recommended that the officials concerned read and follow the guidelines created for the proper implementation of the selection, utilization and/or distribution of the cash incentives.

6. **Deviations from Sections' 3.4, 4 and 9 of the Government Procurement Policy Board (GPPB) Circular No. 01-2020 dated April 6, 2020 and Section 3.2 of the GPPB Circular No. 02-2020 dated May 20, 2020 were noted in the utilization of the Bayanihan Grant to Cities and Municipalities (BGCM) amounting to**

₱7,544,420.00, thus, there was no transparency and the propriety of the transaction was not ascertained.

We recommended that the Municipal Mayor require the:

- a. Bids and Awards Committee (BAC) to strictly comply with the posting and submission requirements of the GPPB to provide full information and transparency to the public; and
- b. Municipal Accountant to ensure completeness of supporting documents for all disbursement transactions so as to ascertain the propriety of the transactions.

7. The Municipality reprogrammed Programs/Projects/Activities (PPAs) under the 20% Development Fund (DF) continuing appropriations amounting to ₱9,559,849.71 without a Supplemental Budget and incomplete Supplemental Annual Investment Plan (AIP) contrary to Article 417 of the IRR of RA 7160, thus, the funds were spent without legal basis.

We recommended that the Municipal Mayor must:

- a. Require the Members of the Sangguniang Bayan to enact a supplemental budget for any changes in the Annual Budget to cover new PPAs from realigned funds or available funds from new revenue source as certified by the Municipal Treasurer; and
- b. Require the members of the Local Development Council to prepare a supplemental AIP to support the changes in the Annual budget.

8. Re-alignment of funds from the 5% LDRRMF amounting to P3,185,450 were not effected through an Ordinance and a Supplemental Budget contrary to Section 336 of RA 7160, Article 417 of the IRR of RA 7160, Section 2 of DBM Local Budget Circular No. 124, and Section 2 of DILG and DBM JMC No. 1 series of 2020, thus, the funds were spent without legal basis.

We recommended that the Municipal Mayor must:

- a. Require the Members of the Sangguniang Bayan to enact an Ordinance for the augmentation/realignment of funds and a supplemental budget for any changes in the Annual Budget to cover new PPAs from realigned funds or available funds from new revenue source as certified by the Municipal Treasurer.
- b. Require the members of the Local Development Council and Municipal Disaster Risk Reduction and Management Council to prepare a supplemental AIP to support the changes in the Annual budget.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES

Total suspensions, disallowances and charges at year-end amounted to ₱0.00.

IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS

Status of Implementation	No. of Recommendation	Percentage
Fully Implemented	35	63.64%
Partially Implemented	20	36.36%
Not Implemented	0	
Total	55	100%