

## EXECUTIVE SUMMARY

### A. Introduction

1. The Municipality of Del Carmen was created on June 18, 1966 by virtue of Republic Act No. 4785. It is politically sub-divided into twenty (20) barangays.
2. The primary concern of the Municipality is to discharge its basic functions of promoting health and safety, maintaining peace and order, improving administrative, fiscal and development affairs and preserving the comfort and convenience of its various offices.

### B. Scope and Objectives of the Audit

3. The audit covered the transactions, accounts and operations of the Municipal government of Del Carmen for CY 2020. The audit was conducted to determine (a) the level of assurance that may be placed on the management's assertions on the financial statements; (b) the propriety of transactions and compliance with existing rules and regulation as well as management's policies; and (c) the extent of the implementation of prior years' audit recommendations.
4. The audit involved performing procedures to obtain audit evidence to determine the fairness of presentation of the financial statements and the propriety of the financial transactions, in accordance with the Philippine Standards of Auditing, applicable laws, rules and regulations.

### C. Financial Highlights

5. Comparative Financial Position and Results of Operations

<b>Particulars</b>	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>
Assets	512,543,643.93	489,359,373.39	1,001,903,017.32
Liabilities	87,663,509.15	90,801,911.13	(3,138,401.98)
Government Equity	424,880,134.78	398,557,462.26	26,322,672.52
Income	112,114,054.67	115,576,456.40	(3,462,401.73)
Expenses	116,708,874.98	112,225,489.30	4,483,385.68)
Net Income	11,951,514.87	3,350,967.11	8,600,547.76

6. Comparative Sources and Application of Funds

<b>Particulars</b>	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>
Appropriation	119,294,993.04	118,090,381.18	1,204,611.86
Allotment	131,005,223.25	118,090,381.18	12,914,842.07
Obligations	113,441,355.33	103,905,439.16	9,535,916.17
Funds received from other agencies	31,381,000.00	95,673,892.00	(64,292,892.00)
Funds transferred to NGOs	-	-	-

**D. Auditor's Opinion**

7. The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Del Carmen as of December 31, 2020 due to the following reasons:
- a. The reported balance of the Cash in Bank account in the amount of ₱ 60,650,304.67 was unreliable due to unreconciled variance of ₱ 2,020,790.38 between the ledger and cashbook balances, in contrary to Sections 58, 111.2 of Presidential Decree (P.D.) No. 1445 and Section 181 (c) of the Government Accounting and Auditing Manual (GAAM), Volume 1, thereby casting doubts on the accuracy, validity and existence of the reported balance in the financial statements.
  - b. The Municipality did not draw adjusting journal entries to record the restoration of Cash in Bank and recognition of appropriate payable/liability accounts for the unreleased checks at the end of the reporting period, which is not in accordance with Section 79 of the Government Accounting Manual for Local Government Units, Volume I, thereby resulting to the understatement of both Cash in Bank and appropriate Payables accounts by ₱ 2,064,601.77.
  - c. Disbursements under LDRMMF were not charged against its proper fund account which caused the Cash in Bank balances of LDRRMF–Regular Fund and Special Trust Fund overstated by ₱ 786,800.00 and understated by ₱ 985,255.00, respectively. Moreover, the Trust Liabilities-DRRMF was understated by the net amount of ₱ 198,455.00 in contrary to Sections 58 and 111 of Presidential Decree No. 1445. Thus, accuracy and reliability of these account balances in the financial statements cannot be ascertained.

- d. The reported balance of ₱ 5,589,522.10 under Advances to Officers and Employees account included a total amount of ₱ 3,363,818.00 which were the unliquidated portion of the advances of the deceased previous Local Chief Executives from several years ago which contravened to the principles of Section 112 of the PD 1445, and Section 4.1 and Annex B of COA Circular No. 2015-009 dated December 1, 2015 thereby overstated the said account by the same amount and disregarded the accounting principles in the proper classification of receivables wherein the Advances to Officers and Employees account is for the record of the granted advances for official travels.
- e. The amount presented under Real Property Tax – Basic and Discount on Real Property Tax – Basic in the Financial Statements (FS) were both understated by ₱ 26,932.11 due to a mathematical error in recording, which is not in accordance with Section 121 of the Presidential Decree No. 1445, which emphasizes that Financial Statements should be free from material misstatements, including errors and omissions, and are fairly presented, as the decisions of the users would still be affected.
- f. Receivables for the Real Property Tax (RPT) and Special Education Tax (SET) were overstated by a total amount of, ₱ 26,336.30 for the GF and SEF, contrary to Section 42 of the Manual on GAM for LGUs Volume I, casted doubt on the reliability of the balances of the said accounts in the financial statements.
- g. Receivables for the Real Property Tax (RPT) and Special Education Tax (SET), which should be set-up and recorded by the Municipal Accountant at the beginning of the year, was recorded only at the end of the current year, with an ending total balance of ₱ 1,832,753.08, due to non-submission of the certified list of taxpayers by the Municipal Treasurer in violation to Sections 19(b) and 20 of the Manual on NGAS for LGUs Volume I, thus the recorded receivable amount were unreliable and inaccurate.
- h. Construction materials charged against 20% Development Fund amounting to ₱ 383,820.00 were recorded directly under the account Other Structures code (1-07-10-020) upon payment instead of recognizing the same as under Construction Materials Inventory account code (1-04-04-130), which precluded proper control and issuance thereof.
- i. The reported balance of Road Networks account amounting to ₱ 73.131 Million at year-end is doubtful as to its valuation and accuracy due to non-inclusion of the cost of road lot component to the entire cost of the asset which is not in accordance with Item VI.2 of COA Circular No. 2015-008 and Section 221 of the Government Accounting Manual for LGUs Vol. I, thereby affecting the fair presentation of the account Road Network account at year-end.

- j. The recognized accrued of liability for the earned leave benefits of the retired officials and employees of the Municipality as of December 31, 2020 was understated by ₱ 564,112.47 in contrary to the provisions of International Public Sector Accounting Standard (IPSAS) No. 1 and COA Circular No. 2015-009, thus misstating the reported balances in the financial statements.

## **E. Summary of Significant Audit Observations and Recommendations**

8. For the above-mentioned audit observations which have caused the issuance of a qualified opinion, we recommended that Management:
  - i. Directs the Municipal Accounting Office and Municipal Treasury Office to perform the required reconciliation at least quarterly; and the Accounting Office to prepare the Bank Reconciliation Statements (BRS) for all the funds/bank accounts maintained by the Municipality with the authorized depository banks every month duly reconciled with the cashbooks of the Treasury Office and submit the same to the Office of the Auditor within the prescribed period.
  - ii. Direct the Municipal Treasurer to prepare a Schedule of Unreleased Checks at the end of the year, and immediately submit the said schedule to the Municipal Accounting Office; and Instruct the Municipal Accountant to draw adjusting journal entries in the books of accounts every year-end for the total amount of unreleased checks, to fairly present the accounts in the financial statements.
  - iii. Direct the Budget, Accounting and Treasury Offices to perform regular reconciliation of their records for immediate correction of noted deficiencies and carefully charging of fund disbursements in order to present a reliable financial statement.
  - iv. Direct the Municipal Accountant to: Adhere strictly with laws and provisions concerning proper usage of accounts for every transactions and events; Transfer the said amount from Advances to Officers and Employees to Due from Officers and Employees with a corresponding disclosure. Review that in the case of the active and current Mayors, the of the Advances to Special Disbursing Officer account for the recording of cash advances for confidential and intelligence funds from the Municipality shall be used
  - v. Direct the Municipal Accountant to thoroughly review and check the totals of the figures presented in the Financial Statements for a more accurate and reliable data.
  - vi. The Municipal Accountant to- Ensure the setting up of RPT and SET Receivables at the beginning of the year supported with a certified list from the Municipal Treasurer showing the taxpayers' names and amounts due; Establish the beginning RPT/SET Receivables based on Taxpayer's index card as prescribed under Section 42 Volume 1 of the GAM for LGUs; and Make necessary adjustment by recognizing the RPT/SET Receivables and Deferred

RPT/SET Income based on the list of delinquent taxpayers. The Municipal Treasurer to provide the Municipal Accountant a duly certified list of taxpayers showing the name and the amount due and collectible for the current year as basis in setting up the beginning balance of RPT and SET Receivables. The Local Chief Executive to direct the Municipal Assessor, Municipal Treasurer and Municipal Accountant to cooperate in generating accurate/reliable data on RPT and SET receivable balances by indicating the names of taxpayers and amounts due from them, including penalties therefrom.

- vii. The Municipal Accountant- Ensure the setting up of RPT and SET Receivables at the beginning of the year supported with a certified list from the Municipal Treasurer showing the taxpayers' names and amounts due; Establish the beginning RPT/SET Receivables based on Taxpayer's index card as prescribed under Section 20 Volume 1 of the MNGAS for LGUs; and Make necessary adjustment by recognizing the RPT/SET Receivables and Deferred RPT/SET Income based on the list of delinquent taxpayers. The Municipal Treasurer provide the Municipal Accountant a duly certified list of taxpayers showing the name and the amount due and collectible for the current year as basis in setting up the beginning balance of RPT and SET Receivables, respectively. The Local Chief Executive direct the Municipal Assessor, Municipal Treasurer and Municipal Accountant to collaborate efforts in generating accurate/reliable data on RPT and SET receivable balances by indicating the names of taxpayers and amounts due from them, including penalties therefrom.
- viii. The Municipal Accounting Office to strictly observe compliance with the perpetual inventory method of accounting on the supplies and materials procured for construction projects implementation by administration by recording all purchases under the account Construction Materials Inventory. Also, coordinate with the Municipal GSO, as the construction materials custodian, to implement controls on the receipt and utilization of the same and submit to the Accounting Office a summary of the utilized construction materials. Likewise, effect the necessary adjustment for the number of supplies and materials which remained unutilized for the intended projects or repairs.
- ix. Require the Municipal Engineer to provide a complete description and cost segregation of road components for road projects; For existing road networks, direct the Municipal Assessor to assist the Municipal Engineer in the assessment of the fair value of the road lot component of local roads under the jurisdiction of the Municipal Government; and Direct the Municipal Accountant to recognize the amount pertaining to the road lot as part of the reported book value of the Road Networks account.
- x. The following remedial measures to ensure the proper recording and monitoring of earned leave benefits: Require the HRMO to monitor the accumulated leave credits of the Master List of the LGU and to furnish a copy to the Accounting Office; After ensuring the reliability of the accumulated leave credit balances

of employees as of December 31, 2020, require the Municipal Accountant to make necessary adjustments to record the Accrued Terminal Leave Benefits due to the retiring employees/officials in the ensuing year; and Direct the MBO to annually appropriate for the accrued terminal leave benefits earned by each employee even on a staggered basis depending on the availability of funds.

9. The other significant audit observations and recommendations are as follows:

- i. Property, Plant and Equipment (PPE) and Investment Property accounts as of December 31, 2020 totaling ₱ 435,649,050.70 are still of doubtful existence and validity due to non-maintenance of Property Cards and failure of the Municipality to submit not later than January 31, 2020 the Report on Physical Count on PPE in violation of the provisions of Sections 258, 259, 266 and 269 of the Volume One of GAM for LGUs.

We recommended that the Municipal GSO maintain property cards and issue Property Acknowledgement Receipt (PAR) upon issuance of the same; and Reactivate the Inventory Committee to be headed other than the Municipal GSO and assure their commitment to religiously exhaust all available resources and conduct the required annual physical count of plant, property and equipment duly documented through incorporating in the Report on Physical Count on Property, Plant and Equipment.

- ii. Expenses of the Municipality under LDRRMF PPAs totaling ₱3.377 million for calendar year 2020 exceeded the approved appropriation by ₱260,240.77, a departure from Sections 2 and 4(1) of Presidential Decree (PD) No. 1445 and Section 305 of RA 7160, thereby rendering the transactions illegal by incurring disbursements without an approved appropriation.

We recommended that the Municipal Accountant and Budget Officer stop the charging of expenses in excess of the allotted budget, and regularly monitor the spending against a specific appropriation in order to avoid incurrence of expenses in excess of the budget. Moreover, any succeeding disbursement without appropriation will be strictly disallowed in audit.

- iii. Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) were not prepared and maintained by the Municipality for their different programs, projects and activities as required under Section 7, Rule II of the Revised Implementing Rules and Regulations (IRR) of R.A. No. 9184, thus public bidding was not the mode generally used in the procurement of supplies and materials which deprived the LGU of savings that it could have been obtained from properly planned, efficient and competitive procurements.

We recommended that Management:

- a. Require the end-user units to prepare the PPMP's in accordance with Section 7 of Revised IRR of RA 9184 using the suggested format by the GPPB duly posted in its website;
  - b. Require the Budget Office to thoroughly evaluate the submitted PPMP's in terms of amount and coherence with the proposed budget of the LGU;
  - c. Require the BAC through the BAC Secretariat to consolidate the PPMP's and prepare the APP in accordance to be applicable provisions of RA 9184 using the prescribed format under GPPB Circular No. 07-2015 and GPPB Resolution No. 20-2015 dated July 16, 2015; and
  - d. Copy furnish the Office of the Auditor of the updated PPMP and APP yearly for us to validate and ensure that all procurement undertaken by the LGU was based on the approved annual procurement plan.
- iv. Procurements of various common equipment and supplies totaling ₱1.6 million were split into small purchases and did not undergo public bidding. Moreover, specific brand names were indicated in the Purchase Requests (PRs) contrary to COA Circular No. 76-41 dated July 30, 1976, Sections 10, 18 and 54.1 of Rule IV, VI and XVI, respectively, of the Revised IRR of RA 9184, thus, the Management did not ensure the competitiveness and obtain the lowest and most advantageous price for the government.

We recommended that Management:

- a. Stop the practice of splitting the procurement of various goods and services;
  - b. Stop referring to brand names in preparing Purchase Requests (PRs). Instead, mention the relevant specifications and/or performance requirements of the supplies/materials needed; and
  - c. Instruct the General Services Officer or BAC Secretariat, as the case maybe, to consolidate the procurement of similar and related items into one purchase request and subject the same to competitive bidding pursuant to Rule IV, Section 10 of the revised IRR of RA 9184 to ensure competitiveness and obtain the lowest and most advantageous price.
- v. Payment for several procurements totaling ₱5.184 million were made through reimbursements basis to officials and employees instead of making checks directly payable to the suppliers contrary to pertinent provisions of laws and regulations, thus, depriving the government of collecting taxes that could have been withheld from the payments thereof and precluded it from using the resources to finance projects for the benefit of the general public. Moreover, the reimbursement mode of disbursement when continuously allowed can be a subject of abuse which may lead to misappropriation of funds.

We recommended that Management:

- a. Limit the procurement of goods and services on a reimbursement basis, unless the circumstances warrant its application;
- b. Follow strictly the rules and procedures of procurement provided in the Revised IRR of RA 9184;
- c. Require the Municipal Accountant and Municipal Treasurer to ensure that payments are made by check directly to the creditors to whom payments are due and withhold corresponding tax; and
- d. Ensure that regular and recurring expenses should not be paid through reimbursements.

Moreover, any succeeding material reimbursements without valid justifications will be strictly disallowed in audit.

- vi. Procurement Monitoring Report in the form prescribed by the Government Procurement Policy Board (GPPB) was not prepared by the Bids and Awards Committee in violation to Section 12.2 of the Revised Implementing Rules and Regulations of Republic Act 9184 thereby defeating the principle of transparency and public monitoring of procurement process in ensuring compliance with procurement law.

We recommended that Bids and Awards Committee should prepare the Procurement Monitoring Report, for approval by the Head of the Procuring Entity and submit the same to the GPPB in printed and electronic format within fourteen (14) calendar days after the end of each semester.

- vii. The Municipality did not submit copies of executed contracts and its supporting documents for infrastructure totaling ₱ 42,024,381.98 for CY 2020 to the Office of the Auditor within the period prescribed under COA Circular No. 2009-001 dated February 12, 2009, thus incurring undue delays ranging from 39-313 days which precluded the timely auditorial and technical review to communicate any defects/ deficiencies found in audit, if any.

We recommended that the Local Chief Executive instruct the concerned officials to ensure the timely submission of copies of government contracts and each of all the documents forming part thereof within five (5) working days from execution pursuant to COA Circular No. 2009-001 dated February 12, 2009, to ensure timely review and evaluation of the same, so that the Management could immediately notified of any defects/deficiencies noted thereon.

- viii. The submitted eleven infrastructure contracts were deficient of various supporting documents necessary to facilitate the contract review with a total amount of ₱32.026 million contrary to the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, COA Circular No. 2009-001 and Section 4 of PD 1445; precluding timely technical review and evaluation, thereby casted doubts on the validity, propriety and legality of the projects.

We recommended that Management shall:

1. Submit the lacking documents enumerated in Annex A in accordance with the GPPB prescribed forms under the Philippine Bidding Documents, the Revised IRR of RA 9184, and COA Circular 2009-001 in order to facilitate technical review and evaluation;
  2. Require the personnel in-charge in the submission of the contracts and its supporting documents to maintain a checklist of required documents for each of the transactions to serve as a guide to ensure the completeness of the documents submitted to COA for review; and
  3. Strictly observe and execute the duties of the BAC and TWG as stipulated in the Revised IRR of RA 9184.
- ix. Reimbursements made for meals, snacks and food assistance totaling ₱722,060.05 for the response operations of COVID-19 did not go through Emergency Procurement under GPPB Circular No. 01-2020 or any of the alternative modes of procurement which is inconsistent with the guidelines set forth by the GPPB and in Republic Act No. 9184 and its Revised Implementing Rules and Regulations, which resulted in irregular disbursement of public funds as defined in Item 3 of COA Circular No. 2012-003 and deprived the Municipality to obtain the most advantageous price.
- We recommended that Management strictly observe the proper procedures and appropriate mode of procurement in the purchase of meals and snacks as prescribed in GPPB Circular and Republic Act No. 9184 and its Revised Implementing Rules and Regulations and refrain from reimbursing meals, snacks, and food assistance since it would deprive the Municipality of withholding taxes from the suppliers.
- x. Representation expenses such as meals, snacks and food assistance for health workers, personnel assigned in the checkpoints, and other frontliners directly involved in the relief efforts of the Municipality amounting to ₱2,819,678.05 lacked the necessary and prescribed documentary requirements in violation of Section 4 of PD No. 1445, casting doubt as to the validity and regularity of the transactions.

We recommended that Management strictly observe prudence on the use of government funds for meals and snacks by ensuring that these are utilized only for expenses which are regular and necessary and attach to the disbursement vouchers for meals and snacks the targeted list of recipients/participants, attendance sheets/distribution list, and other significant documentary requirements.

- xi. Excessive contract cost totaling ₱3.975 million was noted in eight infrastructure projects of the Municipality due to use of higher percentage of VAT rate, double costing of overhead expenses and improper use of profit mark-up in contrary to DPWH Department Order No. 197, series of 2016 and COA Circular No. 2012-003, thus casted doubt as to the reasonableness and compliance of the costs of executed contracts that may be disadvantageous to the government.

We recommended that Management require the concerned contractor to refund the excess in the Contract Cost over the COA Cost Estimates and ensure that the preparation of the Approved Budget for the Contract (ABC) is compliant with DPWH Order No. 197, series of 2016 and such other applicable laws, rules and regulations to avoid any excess on the Contract Cost over COA Cost Estimate.

- xii. Adequate control procedures in the receipt and distribution of donations in-kind of 37.5 sacks of rice, 84.75 boxes and 685 pieces of relief goods, 3000 food packs, and 58 boxes and 2,584 pieces of medical supplies and equipment were not in place thus, there are risks that all donations received and distributed were not properly recorded and accounted for, which are not in accordance with Section 2(a) of COA No. Circular 2020-009.

We recommended that Management strengthen its monitoring controls by requiring the Accounting Office, MSWD Office, CDRRM Office, RHU Office, and Mayor's Office to:

- a. Ensure proper coordination among the Offices concerning the receipt and distribution of Donations In-Kind;
- b. Ensure issuance of Acknowledgment Receipts to all future receipts of donations in-kind to confirm that donations are properly recorded and accounted for;
- c. Ensure that all future issuances of donated items are properly supported with Issuance Form for In-Kind Donations or any document/record to prove receipt by and distribution to the intended beneficiaries; and
- d. Determine the inventory of remaining undistributed items for recording in the Registry of Donated Relief Goods for DRRM.

- xiii. The LGU-Del Carmen received donations in kind of 37.5 sacks of rice, 84.75 boxes and 685 pieces of relief goods, 3000 food packs, and 58 boxes and 2,584 pieces of medical supplies and equipment but did not submit the one-time Report for Donations Received, Distributed and Balances to the National Disaster Risk Reduction and Management Council through the Office of the Civil Defense, as required under Section 2(b) of COA Circular 2020-009.

We recommended that the MDRRM Officer:

- a. Update themselves to the latest policies and guidelines on Donations In-Kind as provided by the relevant and competent government offices; and
  - b. Ensure the on-time preparation and submission of the Report of the Donations Received, Distributed and Balances to the Office of the Civil Defense and Auditor's Office, in compliance to Section 2(b) of COA Circular 2020-009, moving forward.
- xiv. There were 26 beneficiaries who received both Tulong Panghanapbuhay Sa Ating Disadvantaged Workers (TUPAD) and Social Amelioration Program through Assistance to Individuals in Crisis Situation (AICS) which amounted to ₱83,200.00 and ₱130,000.00, respectively, thus contravened the provisions of DOLE Administrative Order No. 114, series of 2020 dated May 1, 2020 and DSWD-DOLE-DTI-DA-DOF-DBM-DILG JMC No. 1, series of 2020, that provides the eligibility requirements on the exclusion of a recipient who is already under the AICS, hence, the said releases precluded the other eligible beneficiaries to avail of the limited funds from the government and enjoy the same benefits of either of the two cash assistance.

We recommended that the MSWD Office notifies the concerned beneficiary and take necessary actions and also for other concerned personnel to thoroughly review the qualified beneficiaries of the any assistance from the government to avoid any errors, duplications and other matters.

- xv. 98 ineligible beneficiaries were granted cash assistance totaling ₱ 294,000.00 through Assistance to Individuals in Crisis Situation (AICS) contrary to DSWD Memorandum Circular No. 11, series of 2019 dated May 10, 2019 as amended by DSWD Memorandum Circular No. 24, series of 2020 dated October 19, 2020, thus defeating the main purpose of the program which is to provide financial assistance to the most vulnerable and marginalized individuals and families needing immediate access to basic services from unexpected life event or crisis.

We recommended that the MSWD Office and other concerned personnel thoroughly review the qualified beneficiaries of any assistance from the government to serve the essence and purpose of the program.

Moreover, the Management through the MSWD officer to call upon the said ineligible beneficiaries and compel them to refund the said funds, or else the liable officers in the Municipality shall burden the disallowance of this transaction.

- xvi. There were 95 beneficiaries who lacked the documentary requirements but still granted with the assistance under the Emergency Subsidy Program/Social Amelioration Program which totaled ₱475,000.00 in contrary to Section VII.A.1 of the DSWD Memorandum Circular No. 04, Series of 2020, thereby exposing the funds to possible losses and misappropriation.

We recommended that Management should:

- a. Require all the beneficiaries the necessary documentary requirements as prescribed by the DSWD Memorandum Circulars, and in the absence of the required IDs and certifications, a Barangay Certificate may be submitted in lieu of which; and
  - b. Thoroughly review each list of beneficiaries submitted for assessment and validation to avoid any errors, duplications, and other matters.
  - c. Call upon the attention of the concerned 95 beneficiaries and reevaluate them for the submission of required documents.
- xvii. Distributions of the 1<sup>st</sup> and 2<sup>nd</sup> tranches in the total amounts of ₱ 7.135 Million and ₱905,000.00, respectively, of the Emergency Subsidy Program (ESP) were delayed by 2 to 16 days from the maximum allowable of five (5) calendar days and seven (7) days for families in geographically isolated and disadvantaged areas from the receipt of the funds, as required by the DSWD under Section VIII.B.3 of the DSWD Memorandum Circular No. 09 (s. 2020), and in consonance to Proclamation No. 922 (s. 2020) and Republic Act No. 11469, thereby defeating the purpose to expedite appropriate response to the declared state of emergency.

We recommended that the Management, particularly the Municipal Social Welfare and Development Office, obtain and maintain an updated records of all indigent and in-need individuals per barangay to fast track the distribution of the assistance and improve the system of distribution for future similar occurrences. Also, establish adequate guidelines on coordination mechanisms so as not to incur the same deficiencies in the future.

- xviii. A total amount of ₱433,000.00 paid to the leagues of local elected officials was not substantiated by government prescribed Official Receipt (OR) and other supporting documents contrary to Section 4 of Presidential Decree (PD) No. 1445, thus casting doubt on the regularity of the disbursements. Moreover, by virtue of the Local Government Code of 1991, the Leagues of Municipalities are deemed government instrumentalities, hence subject to the usual rules and regulations of the government governing the disposition of their funds. In the absence of proper documentation, the leagues were not made responsible and accountable for the funds received from the LGU.

We recommended that Management:

- a. Direct the Municipal Accountant to scrutinize carefully the disbursement claims of the leagues of local elective officials for membership dues and contribution and determine if the rates/amounts claimed are strictly in accordance with their respective constitution and by-laws.
  - b. Instruct the Municipal Treasurer not to release payments to leagues without the government prescribed O.R., and;
  - c. Require leagues annual financial and accomplish reports, as a prerequisite for the renewal of membership fees in the ensuing years, to ascertain that government funds have been utilized for lawful and exclusively for public purposes.
- xix. Payroll funds were released to personnel of the Municipality totaling ₱23.028 Million as of December 31, 2020, without the Daily Time Records (DTRs), as required under Article 171(c) Rule XXII of the Rules and Regulations implementing the Local Government Code of 1991, Section 4(6) of Presidential Decree No. 1445 and Section 1.2.1 of COA Circular No. 2012-001 dated June 14, 2012, thus validity, propriety and legality of the paid transactions could not be ascertained.

We recommended that Management require the concerned employees to submit the lacking DTRs from the months of January to December 2020 and direct the concerned personnel who prepares the payroll to maintain the “No DTR, No Salary” policy to ensure the prompt submission of employees DTRs.

- xx. The Municipality’s Local Tax Rates were not updated 5 years after the current revenue code was implemented in 2011, as provided under Section 191 of Republic Act (RA) No. 7160; thus, potential increase in revenue collection was not attained, in the approximated amount of ₱ 1,401,789.43, thereby dependency from national subsidy remained in high level which may limit the financial flexibility of the Municipality.

We recommended that the Municipal Treasurer, with coordination with appropriate Office, ensure that local tax rates are updated every five years pursuant to Section 191 of the Local Government Code, with the end view of increasing the revenue collections of the Municipality.

- xxi. Actual expenses charged under the GAD Budget for CY 2020 included payments which are not within the approved GAD Plan and Budget and not allowed to be charged to the fund totaling ₱1.217 million and ₱402,750.00, respectively contrary to Sections 305 and 336 of Republic Act 7160 and PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2016-01 dated January 12, 2016, thereby depleting the fund intended for GAD programs, projects and activities and affecting the full implementation of the plan.

We recommended that the GAD Focal Point System, Municipal Budget Officer and Municipal Accountant:

- a. refrain from utilizing the GAD Fund for expenses not allowed and not within the approved GAD Plan and Budget;
  - b. stop disbursing the remaining funds allotted to PPAs under the centennial celebration of the municipality and any succeeding disbursement of it will be strictly disallowed in audit; and
  - c. all disbursements related to GAD Fund should be check and sign first by the GAD Focal Point System before processing.
- xxii. The Gender and Development (GAD) Fund of LGU totaling ₱1,998,589.50 or 34.10% of total GAD appropriation of ₱5,861,483.00 for CY 2020 was not fully implemented and utilized due to unrevised GAD Plan and Budget in relation to COVID-19 pandemic contrary to Section 2 of Presidential Decree No. 1445, Republic Act No. 9170 and Memorandum Circular No. 2020-03 of PCW dated April 27, 2020; thus, it deprived the intended benefits that may be derived from the planned programs, activities and projects.

We recommended that the GAD Focal Point System be updated as to the issuances of different agencies related to the fund, properly plan and regularly monitor the implementation of GAD PPAs and maximize the utilization of the GAD budget to achieve the objective of the government regarding the institutionalization of GAD in the community.

- xxiii. Payment of services of hired artists under the GAD related PPAs in a total amount of ₱350,000.00 was deficient of vital supporting documents in contrary to Section 53.6 of the Revised IRR of RA 9184, thus casted doubts on the legality and propriety of the transactions.

We recommended that the Bids and Awards Committee determine appropriately on what mode of procurement to be used and instruct the Municipal Accountant to ensure that all payments are well supported with complete/proper documentation.

#### **F. Summary of total Suspensions, Disallowances and Charges**

Audit suspensions and disallowances amounting ₱6,900,782.75 and ₱3,369,136.61, respectively, remained unsettled as of December 31, 2020 contrary to Section 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

#### **G. Statement on the quantity/number of recommendations implemented, partially implemented and not implemented for the current year.**

Out of 22 audit recommendations issued in the CY 2019, 16 were fully implemented, four were partially implemented and two were not implemented by Management. Also, out of seven audit recommendations issued in the CY 2018, five were fully implemented and two were partially implemented by Management. Moreover, out of three audit recommendations issued in the CY 2017, which remained not implemented or partially implemented, two were fully implemented and one was not implemented. Further, out of two audit recommendations embodied in the CY 2016 AAR, which remained not implemented or partially implemented, two were fully implemented.