

EXECUTIVE SUMMARY

Introduction

Oton is a first-class municipality with a total land area of 8,644 hectares and is composed of 37 barangays. It is about 11 kilometers away from Iloilo City. At present, Oton has a population of 93,334 as of the 2015 NSO survey with 20,288 households. A clean, peaceful, and progressive municipality, Oton is home to 14 subdivisions and its famous beaches have become Metro Iloilo's residential hub due to its proximity to the city and its geographical location. Residents enjoy basic necessities such as electricity, internet, cable TV, transportation, and accessible roads. The Katagman Festival is one of the annual activities that highlight the town's rich history and culture.

It enjoys full autonomy in managing, planning, and deciding its own administrative, fiscal, and development affairs, consistent with the national government thrust for sustainable social and economic growth granted under Republic Act No. 7160, otherwise known as Local Government Code of 1991.

The personnel complement of the Municipality as of December 31, 2020, totaled 367, composed of 12 elective officials, 182 permanent employees, 4 co-terminus, and 169 job order/contract of service personnel.

Vision Statement

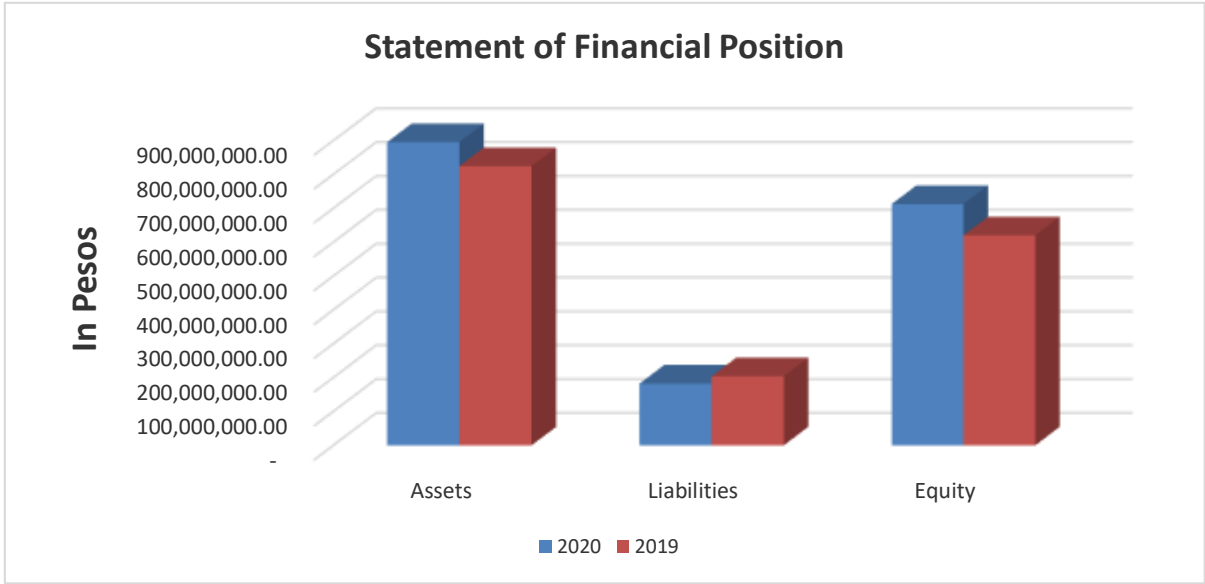
Oton, a municipality of characters, where people are very friendly, God-loving, educated, and empowered, living in a healthy and ecologically balanced community with a vibrant economy where good governance is practiced by morally upright and competent leaders.

Mission Statement

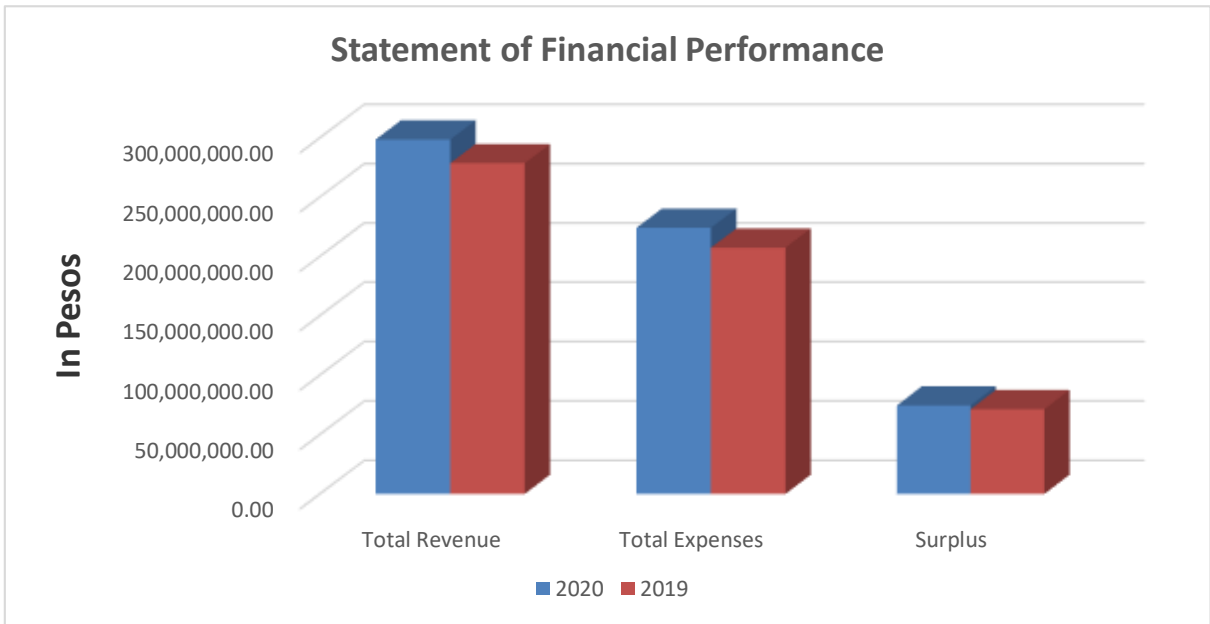
Very friendly, effective, and efficient delivery of basic services by the Local Government of Oton with active participation of the civil society organizations for transparent governance

Highlights of Financial Operation

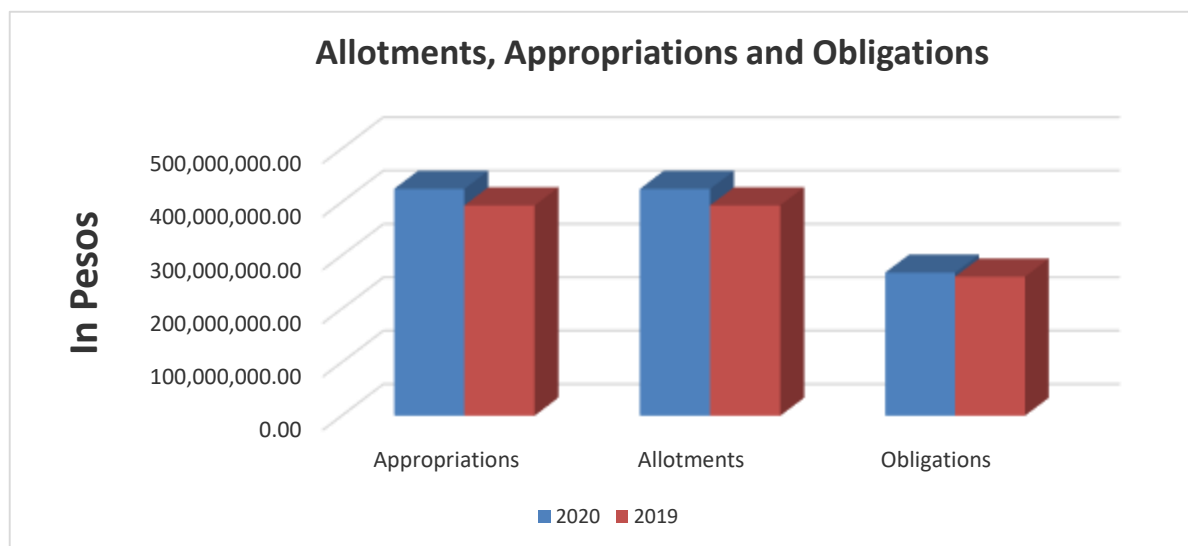
The Municipality's assets, liabilities, and residual equity as of December 31, 2020, amounted to ₱895.954 million, ₱182.853 million, and ₱713.101 million, respectively. Comparison with the previous year's totals is graphically presented in next page:



For CY 2020, the Municipality generated a total income of ₱298.606 million, which is 7.18 percent or ₱20.003 million higher compared to last year’s income of ₱278.603 million. Total expenses incurred amounted to ₱224.122 million, generating an excess of income over expenses of ₱74.484 million at the end of the year, which correspondingly increased by 4.52 percent or ₱3.222 million from last year’s figure of ₱71.262 million.



The following graph illustrates the increase of Appropriations, Allotments, and Obligations during the year:



Scope of Audit

The audit covered the accounts and operations of the Municipality of Oton, Province of Iloilo, for the year ended December 31, 2020. The audit was conducted to determine the reliability of the accounts of the Local Government Unit (LGU) in order to express an opinion on the fairness of presentation of the financial statements as well as to determine whether or not the LGU transactions were made in accordance with existing laws, rules, and regulations in the utilization of resources.

Auditor’s Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements as the accuracy and existence of Property, Plant, and Equipment (PPE) accounts, excluding Construction in Progress, with a total carrying amount of ₱482.668 million as of December 31, 2020, could not be ascertained due to a discrepancy of ₱22.771 million between the books and the Report on the Physical Count of Property, Plant, and Equipment (RPCPPE).

For the above exception, we recommended that the Local Chief Executive direct the General Services Office or the Inventory Committee to exhaust efforts and measures to conduct a complete physical inventory of the Municipality’s assets and submit the RPCPPE, among others, not later than January 31 of each year, in order for the accuracy and existence of PPE accounts to be verified in a timely manner.

We also recommended that the General Services and the Accounting Offices cause the reconciliation of the results of actual physical count with the property and accounting records pursuant to the pertinent provisions of COA Circular No. 2020-006. The discrepancies

between the inventory reports and the accounting records should be investigated, reconciled, and adjusted.

Other Significant Audit Observations and Recommendations

1. Cash and in-kind donations from private individuals and organizations during the quarantine period were not properly acknowledged, recorded, accounted for, and reported by the Municipality as required in Commission on Audit (COA) Circular Nos. 2014-002 and 2020-009, thereby tainting not only the completeness and integrity of the receipt, utilization, and distribution of the said donations, but also the overall efficiency and effectiveness of its COVID-19 response measures.

We recommended that the Local Chief Executive ensure that all future donations during the implementation of community quarantine or state of calamity, whether in cash or in kind, are properly received/acknowledged, recorded, accounted for, utilized, distributed, and reported without necessarily disregarding basic controls and issuances governing donations or aids during a disaster or pandemic.

2. Cash advances of ₱1.299 million remained unliquidated as of December 31, 2020, contrary to pertinent provisions of Commission on Audit (COA) Circular No. 97-002, thus rendering government funds susceptible to misuse or misapplication.

We recommended and the Local Chief Executive agreed to direct all the concerned officials and employees to cause the immediate liquidation of their unliquidated cash advances.

We also recommended and the Municipal Accountant agreed to refrain from allowing the granting of another cash advance to any official or employee with pending settlement or liquidation.

We further recommended and the Management agreed to send demand letters to the concerned employees, especially those whose cash advances have been outstanding for more than two months already.

3. The Municipality neither comprehensively insured its properties valuing ₱168.752 million with the Government Service Insurance System (GSIS) nor accomplished and submitted the Property Inventory Form (PIF) as basis for the assessment of the government's general insurance coverage, contrary to Republic Act (R.A.) No. 656, as amended by Presidential Decree (P.D.) No. 245, and COA Circular No. 2018-002; thus, the Municipality will not be indemnified for any damage to, or loss of, said government assets in the event of fire, earthquake, storm, or other fortuitous events/calamities.

We recommended that the Local Chief Executive require allocation of funds for the insurance coverage of all its insurable properties with the GSIS General Insurance Fund and compliance with the guidelines set forth in COA Circular No. 2018-002. If there is uncertainty as to which properties are to be insured, we suggested to have the PIF submitted to GSIS containing all the Municipality's properties and allow GSIS to review and identify which ones are insurable.

4. Audit disallowances with issued Notices of Finality of Decision (NFDs) totaling ₱432,900.00 were not recorded as Receivables in the books of the Municipality, contrary to Section 22.6, Chapter V of the Rules and Regulations on Settlement of Accounts (RRSA), as prescribed in Commission on Audit (COA) Circular No. 2009-006, thereby impairing the accuracy of the Agency's financial statements.

We recommended that the Local Chief Executive (a) require the Municipal Accountant to facilitate the recording of audit disallowances with issued NFDs as Receivables in the Agency's books of accounts; and (b) ensure that all audit suspensions, disallowances, and charges are appealed within the period allowed so as not to waste the opportunity to dispute an audit decision and plead for its lifting or reversal.

Summary of Suspensions, Disallowances, and Charges

Total unsettled suspensions, disallowances, and charges as of December 31, 2020, are summarized below:

Particulars	Amount
Suspensions	₱188,795.57
Disallowances	2,766,799.24
Charges	0.00
Total	₱2,955,594.81

Status of Implementation of Prior Years' Audit Recommendations

Of the 31 audit recommendations embodied in the previous years' Annual Audit Reports, 12 were fully implemented, 15 were partially implemented, and 4 were not implemented.