

## EXECUTIVE SUMMARY

### INTRODUCTION

The Municipality derives its mandate from Republic Act No. 7160, known as the Local Government Code of 1991. The Code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents. It is committed to discharge its mandated functions and responsibilities with the highest degree of integrity, dedication and nationalism, and to deliver prompt, responsive and quality service to its constituents.

### OPERATIONAL HIGHLIGHTS

The Local Government Code of 1991 as embodied under Republic Act No.7160 provides the local government units the responsibility and authority to make use of their resources in order to attain development in line with the goals and vision of the National Government. The goals and functions of the Municipality as promulgated under the provisions of the Local Government Code of 1991 is to render basic services to its constituents by utilizing the resources for programs and projects.

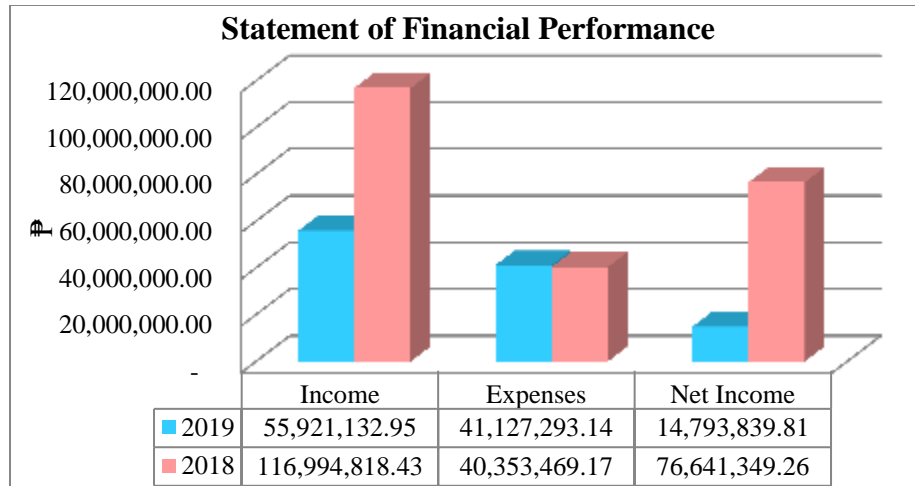
For the year 2019, the Municipality had implemented various projects, programs and activities funded under the 20% development fund and National and Local Government Agencies. Included therein were the following major infrastructure projects:

Projects, Programs and Activities (PPAs)	Contract Amount	Status
<b>20% Development Fund</b>		
Construction of Ableg Multi-Purpose Hall	1,497,625.00	Completed
Flood Control Structure (Dayagan Brook)	1,796,875.00	On-going
Pikek Drainage Structure	998,137.00	Completed
Construction of Spillway (Baniwas)	1,797,260.00	Completed
<b>Subsidy from Provincial Government of Abra (CY 2018 Grant)</b>		
Rehabilitation of Tui-Lamunan Road	4,997,635.00	Completed
Concreting/ Improvement of Cabaruyan FMR	34,994,789.00	Completed
<b>LGSF - Assistance to Municipalities 2018 (CY 2018)</b>		
New Construction of Evacuation Center	4,558,136.00	Completed
<b>Total</b>	<b>50,640,457.00</b>	

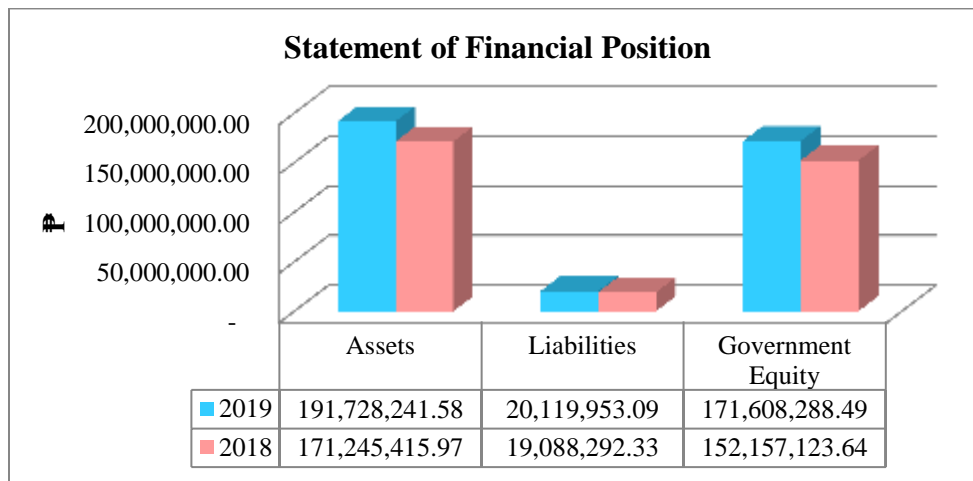
The above projects were not yet inspected by the COA Technical Audit Specialist due to delay / non-submission of the contracts and supporting documents needed in the conduct of inspection.

### FINANCIAL HIGHLIGHTS

Comparative analysis of the Statement of Financial Performance and Statement of Financial Position as compared to the previous year is graphically illustrated as presented below.



The Municipality generated total revenue of ₱55.92 million for the year, showing a decrease of ₱61.07 million. The total expenses amounted to ₱41.12 million, showing an increase of ₱.773 million from last year's figure, consequently, income decreased to ₱14.793 million.



Total assets, liabilities and equity increased by ₱20.482 million, ₱1.031 million and ₱19.451 million, respectively. The noted increase in the Assets of the LGU is caused primarily by the recognition of Local Road Networks in the financial statements of the Municipality.

## SCOPE OF AUDIT

The audit covered the operations of the Municipality of Daguioman, Abra for 2019. The objectives of the audit were to ascertain the fairness of presentation and reliability of the Municipality's financial position and results of operations, to determine whether the programs, projects and activities for the year were attained in an efficient, economical and effective manner. We also conducted compliance audit to check the validity and propriety of the transactions and adherence to pertinent laws, rules and regulations.

## AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality for the year 2019 due to the deficiencies enumerated below:

1. Non-conduct of Physical Count of Property, Plant and Equipment for CY 2019 and non-maintenance of required records rendered the validity, existence and accuracy of the said accounts worth ₱155,962,060.68 uncertain and doubtful.
2. Existence, valuation, condition and propriety of the recorded balance of Local Road Networks account totaling ₱106,655,240.80 could not be ascertained due to: (a) non-submission of the Report on the Physical Count of Local Road Networks, Local Road Inventory and Road Map and (b) non-maintenance/submission of Local Road Network Ledger Card and Local Road Network Property Cards.
3. Receivables totaling ₱224,506.10 remained dormant and uncollected for more than ten years, thus rendering the existence and collectability of the receivables doubtful.
4. Cash advances granted in CY 2019 and prior years totaling ₱191,067.67 remained unliquidated at year-end. In addition, the Municipal Accountant recorded liquidations totaling ₱36,865.50 for CY 2019 but not supported with liquidation documents.
5. Unaccounted difference between the accounting and treasury records and accounting and bank records by ₱5,878.58 for Cash in Bank account, thus, the accuracy of the cash account balances remained in questioned.
6. Over and under remittances during the year were noted and errors on the recording of withholdings of the Due to Philhealth account remained unadjusted which resulted in understatement of the account balance by ₱1,743.32.
7. The Due to PAG-IBIG and Due to GOCCs accounts have abnormal debit balances of ₱3,729.82 and ₱127,945.71, respectively as of December 31, 2019 which affected the reliability of the Municipality's financial statements.
8. Various errors in recording from prior years and current affecting the account Due to GSIS remained unadjusted resulting to understatement of the account balance by ₱11,091.87.
9. Evaluation on the accuracy of the submitted Statement of Comparison of the Budget and Actual Amounts could not be made due to: a) improperly accomplished Obligation Requests and b) non-submission of the Statement of Appropriations, Allotments and Obligations (SAAOB) and supporting schedules.

10. Adequate disclosures were not provided in the Notes to Financial Statements and no subsidiary ledgers were maintained for Due from Other Funds, Due to Other Funds, Due to NGAs, Due to LGUs, Guaranty Deposits Payable and Other Payables totaling ₱20,933,730.56 which were presented in the financial statements as of December 31, 2019, thereby rendering the balances of the accounts doubtful.
11. Disbursement voucher amounting to ₱44,600.00 together with its supporting documents were not submitted, thus, necessary audit thereof to determine the regularity, validity and propriety of said payment as well as accuracy of the recorded entry could not be readily conducted.

## **SIGNIFICANT AUDIT FINDINGS AND RECOMMENDATIONS**

The following are the summary of significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality of Daguioman for the year 2019. With the recent surge of confirmed cases of Covid-19 in the province of Abra, the management and the audit team agreed that in lieu of a face-to-face exit conference, management comments were communicated through Summary of Audit Observations and Recommendations (SAOR) and their comments were incorporated in the report, where appropriate. Other audit observations are fully discussed in Part II of this report.

### 20% Development Fund

Non-submission of Accomplishment/ Status Report of the priority development projects deterred the full determination of the accomplishment of the LGU's Annual Investment Plan (AIP).

We recommended that the management submit accomplishment/status report on the projects with unutilized balances as of year-end supported with certified copies of Completion report, Statement of Work/ Billing Statement and Inspection Report, Procurement/bidding documents of the projects already posted in the PhilGEPS website and annual accomplishment report identifying the status of the projects as of year-end for subsequent periods.

### Local Disaster Risk Reduction and Management Fund

The Municipality did not optimally utilize the allotment for preparedness and mitigation programs budgeted in the LDRRMF Investment Plan.

We recommended that the management ensure that the LDRRMF, specifically the 70% mitigation fund be utilized to support preparedness and mitigation programs and activities.

A special trust fund was not maintained by the municipality for the unexpended LDRRMF from previous years, thus the increase and utilization of the said fund was not monitored.

We recommended that management maintain a special trust fund and subsidiary ledgers for the unexpended/unobligated balances of prior years and establish the special trust fund then recompute and transfer the unexpended balance - QRF and DRRMF-MOOE to the separate depository account.

#### Gender and Development Fund

The 85% of the Programs/Projects/Activities (PPAs) identified in the GAD Plan and Budget was not implemented thus, the national government's aim in pursuing women's empowerment and gender equality was not fully attained.

We recommended that the management ensure that the GAD fund be fully utilized for the programs and activities embodied in the GPB appropriately identified through HDGD to address the gender issues in the municipality.

#### Compliance with Tax Laws

The taxes withheld from previous years and current year totaling ₱160,097.29 were not remitted to the Bureau of Internal Revenue (BIR) contrary to Section 2.58 of the Revenue Regulation 2-98 as amended, thus, the National Government was denied of the immediate use of the taxes collected. Moreover, various discrepancies between the amounts withheld and remitted and accounting errors were observed during the year, affecting the reliability of the account balance.

We recommended that the Municipal Treasurer promptly remit to BIR the taxes withheld from suppliers; that the Municipal Accountant record the proposed adjustments to reflect the correct balance of the account Due to BIR; the Municipal Accountant and the Municipal Treasurer trace back records of the details of the remaining balances of unremitted taxes totaling ₱160,097.29 and reconcile records and books with the BIR; that the Municipal Accountant maintain complete and updated subsidiary ledgers for all payables to avoid over and under remittances; and that the Municipal Treasurer ensure that taxes are withheld from suppliers of goods and services acquired and observe correct and prompt remittances of the taxes withheld.

#### **SETTLEMENT OF ACCOUNTS**

Records show that disallowances issued in prior years totaling ₱2,965,927.12 remained unsettled while suspensions issued in CY 2018 totaling ₱2,065,859.28 decreased by ₱1,605,331.55 settlements as of December 31, 2019.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Out of the 99 audit recommendations embodied in the 2018, 2017 and 2016 Annual Audit Reports, 24 were fully implemented, 27 were partially implemented and 48 were not implemented.