

EXECUTIVE SUMMARY

INTRODUCTION

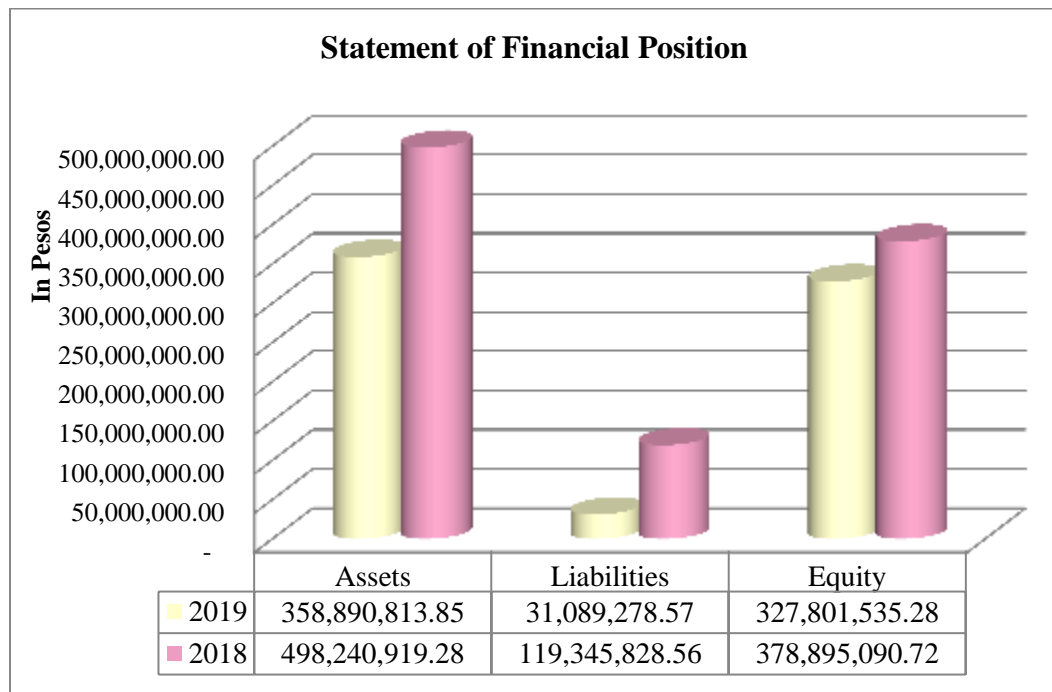
Republic Act No. 7160 or the Local Government Code of 1991 gave the Municipality of Tineg the role to serve primarily as a general-purpose government for the coordination and delivery of basic, regular and direct services and effective governance of the inhabitants within its territorial jurisdiction. In view of this, the Municipality had the mission or purpose to sustain economic growth, promote social justice, health and nutrition programs; and pursue plans and programs that will uplift the living conditions of the citizenry in the locality.

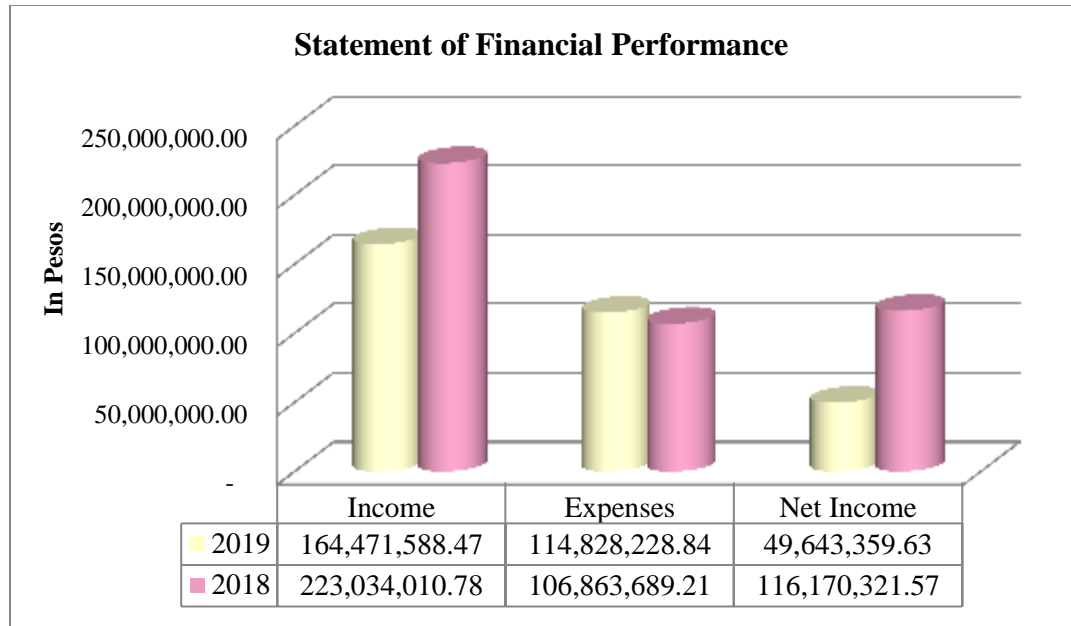
The Municipality of Tineg is headed by Honorable Mayor Corinthia D. Crisologo and assisted by Vice Mayor Edwin B. Crisologo. It is a second-class municipality of the Province of Abra composed of ten barangays.

FINANCIAL HIGHLIGHTS

The total appropriations for the year 2019 amounted to ₱168,361,377.97 and was utilized in various infrastructures, environment improvement, education, health and social services and basic and administrative development. Annual gross income including income from grants and donations totaled ₱164,471,588.47.

Comparative analysis of the Statement of Financial Position and Statement of Financial Performance as graphically illustrated below showed an overall increase in Assets, Liabilities, Equity, Gross Income, Expenses and Net Income as of year-end.





OPERATIONAL HIGHLIGHTS

For the year 2019, the Municipality reported various accomplishments funded under the 20% Development Fund and from National Government Agencies. However, the projects were not inspected due to the non-submission and/or delayed submission of copies of program of works, contracts/purchase orders as bases in the conduct of its inspection.

20% Development Fund

Programs/Projects/Activities (PPAs)	Appropriation	Expenditure	Balance
Construction of Nagbukel-Tibunan Cross Drainages	2,473,094.26	1,974,823.47	498,270.79
Excavation of Nalnaan Drainage	643,897.54	0.00	643,897.54
Construction of Lanec BHS(6m x 6.4m)	420,000.00	419,185.40	814.60
Construction of Dangli Footbridge	295,959.69	0.00	295,959.69
Construction of Nagtatapan Foot Bridge	300,000.00	0.00	300,000.00
Construction of Licuno Flood Control	300,000.00	0.00	300,000.00
Construction of Kanan Flood Control (realigned to Construction of Cogon Footbridge)	300,000.00	283,464.80	16,535.20
Construction of Asin Footbridge	300,000.00	298,745.32	1,254.68
Construction of Anayan Multi-Purpose Building (realigned to Purchase of solar)	300,000.00	0.00	300,000.00
Improvement of Naglibacan Proper Foot Bridge	292,528.33	291,204.53	1,323.80

Programs/Projects/Activities (PPAs)	Appropriation	Expenditure	Balance
Construction of Belaat Multi-Purpose Building	300,000.00	298,893.00	1,107.00
Improvement of Vira-Apao Road Phase 1	18,326,011.00	16,527,989.14	1,798,021.86
Continuation of Kamudyawan Slope Protection	2,139,608.98	1,818,196.00	321,412.98
Construction of Fishpond Slope Protection PHASE (realigned to Construction of Caganayan Gymnasium)	900,000.00	0.00	900,000.00
Construction of 2-Units Motor Pool	2,224,077.00	0.00	2,224,077.00
Construction of Retaining Wall along Vira Provincial Road to MRF Facility	1,000,000.00	995,613.90	4,386.10
Establishment of Agro-tourism site at Vira Phase II	2,000,000.00	1,609,553.70	390,446.30
Total	32,515,176.80	24,517,669.26	7,997,507.54

Assistance to Disadvantage Municipalities

The amount of ₱ 7,637,287.00 was also received in 2018 and no notice of authority to debit account was submitted by the municipality, thus, purpose could not be identified. This amount was utilized for the Improvement of Madegnac- Bulig Road costing ₱ 7,647,424.40. The ADM received in 2019 in the amount of ₱ 9,812,000.00 remains unutilized as of year-end.

RA 7171 – Regular Sources

Project	Amount Received	Expenditure
Rehabilitation of Madegnac-Bulig Road (100%)	26,681,625.00	26,679,376.61

The project stated above was started in 2018 and completed in 2019. In addition, the RA 7171 Share received in 2019 amounting to ₱ 14,243,722.00 remains unutilized as of year-end.

RA 7171 – Provincial Share

The Municipality received ₱ 40,000,000.00 from the Provincial Government of Abra. No Memorandum of Agreement was submitted for the identification of the project to be implemented; however, it was utilized for the Rehabilitation of Bulig-Caganayan Road. As of December 31, 2019, the amount of ₱ 32,186,737.23 was already disbursed.

Other Accomplishments

Project	Expenditure
Construction of Legislative Building	3,908,668.62
Repairs and Maintenance of Laba, Tineg Road	3,239,759.81
Improvement of Tineg Municipal Hall	5,252,641.47
Repair and Maintenance of Alaoa Tapayen Road	1,630,066.34
Establishment of Eco-tourism in Vira Phase II	1,609,553.73
Construction of Legislative Building Phase II	5,646,343.14

SCOPE OF AUDIT

The audit covered operations of the municipality for the year 2019. The objectives of the audit were to ascertain the fairness and reliability of the Municipality's financial position and results of operations, to determine whether the plans, programs 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. Value for Money Audit (VFM), Compliance with Tax Laws and utilization of Local Disaster Risk Reduction Management Fund are also included in this report.

OPINION IN THE STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

1. The existence, valuation and conditions of Property, Plant and Equipment (PPE) including local road networks (LRNW) accounts with a recorded book value of ₱292,478,248.64 could not be ascertained due to the various deficiencies noted which affect the reliability, propriety and fairness of presentation of the balances appearing in the financial statements.

We recommended that in order to establish an accurate and reliable balance of all municipal properties recorded in the books and to forestall losses as well as to determine actual condition and existence of properties, the Municipal Mayor create a committee to conduct a yearly physical inventory of PPE. See to it that the required Report on Physical Count of Property, Plant and Equipment (RPCPPE) be prepared and submitted to the Accounting Office for reconciliation purposes.

2. The Statement of Comparison of Budget and Actual Amounts (SCBAA) did not reflect the supplemental budget of ₱15,169,394.57 and the actual amounts and the Notes to the SCBAA do not coincide with that of the Statement of Financial Performance, thus, affecting the reliability and presentation of the said statements for the year ended December 31, 2019.

We recommended that Management submit valid justification/s for the above noted-inconsistencies/discrepancies and to submit the corrected Statement.

3. Failure to record liquidation of completed project from the Assistance to Municipalities (AM) fund to Due to National Government Agencies (NGAs) in the amount of ₱13,932,608.12 resulted to overstatement of liability and understatement of equity of the same amount in the financial statements.

We recommended that the Municipal Accountant effect the necessary proposed adjusting entries to present fairly the equity and liability accounts in the financial statements.

4. Excise Taxes on Locally Manufactured Virginia - Type Cigarette under RA No. 7171 received in CY 2019 amounting ₱ 14,243,722.00 was erroneously recorded as Due to National Government Agencies instead of Share from Tobacco Excise Tax under the Share from National Wealth, thus overstating the payable account and understating the income account by the same amount.

We recommended that the Municipal Accountant take the following adjusting entry in order to correct the Due to NGAs account:

Due to NGAs	14,243,722.00
Share from Tobacco Excise Tax	14,243,722.00

5. Funds received from the Bureau of Treasury amounting to ₱ 7,637,287.00 was erroneously recorded as Share from Tobacco Excise Tax (RA 7171 and 8240), thus understating the liability account and overstating the income account by the same amount.

We recommended that the Municipal Accountant record receipts from the Bureau of Treasury to Due to NGAs account and take the following entry to correct the previously made entry and to present fairly the financial statement of the Municipality:

Account Name	Account Code	Debit	Credit
Prior Period Adjustment		7,637,287.00	
Due to NGAS	20201050		7,637,287.00

6. Various reconciling items of previous years were not yet adjusted as of December 31, 2019; thus, resulted to accumulation of discrepancies between the bank and the books of the agency.

We recommended that the Municipal Treasurer and the Municipal Accountant reconcile their records with that of the bank immediately by effecting the necessary adjustments noted in the Bank Reconciliation Statement. From then on balances of their records should be reconciled monthly and any discrepancy that affects the agreement should be verified and adjusted immediately to avoid accumulation of differences between the books and bank.

7. Cash- Local Treasury discrepancy between the subsidiary ledger and the cashbook of previous years amounting to ₱7,501.71 decreased to ₱5,464.05 as noted in the cash examination of the SEF account was noted due to the failure of the Municipal Accountant and Municipal Treasurer to reconcile their records.

We recommended that all records be reconciled regularly for stronger internal control purposes.

8. Differences between the cashbook and per audit in the amount of ₱ 895,831.42 and between the ledger and per audit in the amount of (₱ 429,120.34) in General Fund Cash-Local Treasury account; thus, casting doubt as to the correctness and validity of recorded collections.

We recommended that the Acting Municipal Treasurer and the Municipal Accountant:

- use the RCD as basis for recording Cash Local Treasury in their books, hence, they should at all times tally;
 - prepare the Abstract of Collection together with the RCD;
 - record the amount of collections in the RCD;
 - indicate the number series of issued ORs in the cashbook in order to make verification easier;
 - provide and present the AF OR number of the recorded amount of collection in the cashbook of ₱558.00 and ₱23,843.00. respectively;
 - reflect in the RCD the deposit made for the month and the duplicate copies also be attached;
 - record the collection of ₱40,702.32 under AF 51 OR No. 3177558 in the cashbook;
 - present BIR (CTC) OR Number 17201943 for audit;
 - work-back to reconcile their ledger and cashbook.
9. The Municipality did not comply with the transitory provisions on the complete recognition of the local road network in the books of accounts which requires 100% compliance at the end of 2019 pursuant to Item IX of COA Circular No. 2015-008.

We recommended that Management ensure compliance with the conduct of inventory and the recognition of Road Networks in the books of accounts as well as the provision of depreciation and disclosure thereof in the Notes to Financial Statements pursuant to COA Circular No. 2015-008.

10. Improper recording of transactions, accounting procedures and misclassification of accounts were noted, thus affecting the proper presentation of various accounts affected.

We recommended that the Municipal Accountant –

- classify properly and carefully analyze transactions and adjust accordingly the noted deficiencies; and
 - analyze beginning balances of all CIP accounts and make necessary adjustments; close completed projects to its asset account and provide depreciation thereof.
11. Directly recording to expense account of cash advances granted to the Acting Municipal Treasurer in the total amount of ₱9,779,329.59, resulted in the overstatement of the expense and understatement of the receivable accounts.

We recommended that the Municipal Accountant record all cash advances of the Acting Municipal Treasurer as receivables for proper monitoring and evaluation of his total accountability. The appropriate expense account shall be recorded only upon liquidation thereof.

12. Cash Advances of the Acting Municipal Treasurer during the year aggregating ₱17,344,478.52 lacked complete supporting documentation contrary to the provisions of Sections 4 and 4.6 of P.D 1445 and COA Circular 2012-001 which prescribes the Revised Documentary Requirements for Common Government Transaction, thus, rendering the propriety and legality of the transactions doubtful.

We recommended that the concerned accountable officers immediately submit the necessary documents to support the validity and legality of the transactions made and to prevent their suspension in audit.

SIGNIFICANT COMMENTS AND OBSERVATIONS

The observations and recommendations are discussed in detail in Part II of this Report. Due to circumstances of today and in view of the Corona Virus Disease 2019 (COVID-19) pandemic, exit conference was not conducted. Instead, the concerned agency officials submitted their comments through the Status of Audit Recommendations and Observations (SAOR). Said accomplished and duly signed SAOR was submitted to this office on September 25, 2020. Their comments were incorporated in the report, where appropriate. Other significant audit findings and recommendations that need immediate attention and action by the Management are as follows:

Compliance with RA 9184 (Government Procurement Reform Act)

1. Procurement of goods and infrastructure costing ₱32,696,113.79 was not done through public bidding as provided under Rule IV of the revised Implementing Rules and Regulations (IRR) of RA 9184; thus, there is no assurance that purchase prices were the most advantageous to the municipality.

We recommended that the provisions of the IRR of 9184 on procurement of supplies and materials through shopping and small value items should be strictly observed. Procurement above the thresholds should be through competitive bidding as required. Moreover, the BAC Secretariat should see to it that a representative from the Commission on Audit is invited to witness the bidding process as required under the same law.

2. Failure to provide complete documents as evidence that the project Improvement of Madegnac-Bulig Road in the amount of ₱ 3,755,860.35 was done through public bidding as provided under Rule IV of the revised Implementing Rules and Regulations (IRR) of RA 9184; thus, there is no assurance that purchase prices were the most advantageous to the Municipality.

We recommended that the provisions of the IRR of 9184, specifically bidding, be strictly observed in the implementation of infrastructure projects above the thresholds. Moreover, the concerned agency officials submit the additional supporting documents to substantiate the bidding conducted, if any.

3. Two projects implemented under the RA 7171 fund amounting to ₱58,802,285.34 were not supported with complete documentation contrary to Section 4.6 of P.D 1445 and pertinent provisions of the RA 9184 and its revised Implementing Rules and Regulations (IRR), thus, rendering the propriety and legality of the transactions doubtful. Likewise, disbursement voucher under Check No. 905818 amounting to ₱ 5,544,165.46 was not submitted for audit.

We recommended that the concerned agency officials submit immediately the lacking supporting documents to warrant the legality and validity of the transactions made.

20% Development Fund

1. Appropriation for the 20% Economic Development Fund (EDF) for the year 2019 was deficient by ₱ 172,657.40 contrary to Section 287 of RA 7160 known as the Local Government Code of 1991.

We recommended the management submit the supplemental budget/resolution covering the deficiency of ₱ 172,657.60, if any. Otherwise, management submit justification on the deficiency noted.

2. Developmental Projects for CY 2018 and CY 2019 in the aggregate amount of ₱9,939,084.22 and ₱4,963,934.23, respectively, or total of ₱ 14,903,018.45 were not

implemented contrary to DILG-DBM JMC No. 2017-01 and pertinent provisions of R.A 7160; thus, socio-economic developments from the priority development projects were not fully attained. In addition, the LGU also implemented projects totaling ₱7,317,428.90 which were not included in the Annual Investment Plan (AIP) in violation with Section 4 of PD 1445 and Section 305 (a) of RA 7160

We recommended that Management, henceforth, intensify and monitor closely the implementation of the proposed priority PPAs under the 20% DF in order to achieve more desirable socio-economic development, environmental management outcomes and broader scope of development.

3. Travelling expense amounting to ₱ 28,800.00 was charged to 20% Development Fund in violation of Section 4.3 of DILG DBM Joint Memorandum Circular 2017-01 dated February 22, 2017

We recommended that the management should refrain using the 20% Economic Development Fund to the above stated disbursements.

5% Local Disaster Risk and Reduction Management Fund Utilization

1. Unexpended LDRRMF of ₱ 4,958,457.62 was not transferred to the Special Trust Fund account in violation of Joint Memorandum Circular No. 2013-1 and COA Circular No. 2012-002.

We recommended that Management require the Municipal Treasurer to transfer the unutilized balance of the LDRRMF to the Special Trust account.

2. Expenses for the regular operation of the Municipal Disaster Risk Reduction and Management Office (MDRRMO) with an aggregate amount of ₱235,775.00 were charged to the MDRRF instead of regular office fund.

We recommended that management ensure that the LDRRMF, specifically the 70% mitigation fund be used to support disaster risk management programs and activities;

3. Disbursements under the MDRRMF aggregating ₱3,932,830.93 were not supported with complete documentation contrary to Section 4.6 of P.D 1445 and pertinent provisions of the RA 9184 and its revised Implementing Rules and Regulations (IRR), thus, rendering the propriety and legality of the transactions doubtful.

We recommended the following:

- the BAC to submit the Annual Procurement Plan (APP) and the BAC Resolutions recommending the alternative mode of procurement in order to justify the resort of alternative mode of procurement pursuant to Annex H of this IRR;

- The lacking supporting documents be submitted immediately for audit and noted deficiencies be complied with.

Gender and Development

1. Audit of accounts disclosed several deficiencies which indicated that the implementation of GAD mechanisms and processes was deemed inadequate as it did not fully comply with the provisions of PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No.2013-01.

We recommended that -

GAD Focal Point System–

- spearhead the conduct of gender analysis and assessment of the gender responsiveness of programs/projects and activities based on the priority needs and concerns of the constituents and employees.
- intensify and monitor the implementation of planned GAD activities in order to address broader scope of gender issues.

Management -

- review the GAD Plan and Budget and appropriate the right amount so as to have additional funds for GAD related activities.
- create a GAD M&E Team who shall evaluate the outcomes of the LGU GAD policies, programs and projects in accordance with PCW-DILG-DBM-NEDA JMC No. 2013-01. The M&E activities be included in the annual GPB.
- see to it that the GAD Accomplishment Report be furnished to COA for audit as prescribed under COA Circular No. 2014-001.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 68 recommendations embodied in the 2018 Annual Audit Report, 8 or 11.76% were implemented, 2 or 2.94% were partially implemented and 58 or 85.29% were not implemented.