

## EXECUTIVE SUMMARY

### A. Introduction

The Municipality of Bauko became a regular municipality in 1911 by virtue of Philippine Organic Act No. 82. It is classified as a 4<sup>th</sup> class municipality and is composed of 22 barangays.

It derives its mandate from Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

The municipality shall be responsible for the delivery to its constituents of basic services and facilities, such as: agricultural services and facilities, health and services and facilities, social welfare services, information services, community-based forestry projects, construction and maintenance of infrastructure facilities, as well as for the provision of sites for police and fire stations, and municipal jails.

As of December 31, 2019, the Municipality has a total personnel complement of 197, composed of 12 elected officials, 100 permanent employees, 56 casuals and 29 job orders.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

The audit covered the operations of the Municipality of Bauko for the calendar year 2019. A financial and compliance audit was conducted to examine the propriety of its transactions, and the reliability and accuracy of financial reports and books of accounts. A performance audit was included to determine whether agency objectives were attained in an economical, efficient and effective manner.

### B. Financial Highlights

The comparative analysis of the agency's financial condition, sources and application of funds for calendar years 2018 and 2019 is as follows:

#### I. Comparative Status of Financial Condition

	<i>2019</i>	<i>2018</i>	<i>Increase/ (Decrease)</i>	<i>%</i>
Assets	₱126,991,468.93	₱121,576,405.13	₱5,415,063.80	4.45%
Liabilities	37,932,341.29	45,411,139.28	(7,478,797.99)	(16.47%)
Government Equity	89,059,127.64	76,165,265.85	12,893,861.79	16.93%

## II. Comparative Sources of Funds

<i>Particulars</i>	<i>2019</i>	<i>2018</i>	<i>Increase/ (Decrease)</i>	<i>%</i>
Revenues	₱164,902,523.92	₱155,495,767.50	₱9,406,756.42	6.05%
Expenses	157,776,470.50	152,654,563.51	5,121,906.99	3.36%
Surplus	7,126,053.42	2,841,203.99	4,284,849.43	150.81%
Appropriations	133,760,756.62	110,300,226.15	23,460,530.47	21.27%

## C. Operational Highlights

<i>Particulars</i>	<i>Targets</i>		<i>Accomplishments</i>	
	<i>Qty.</i>	<i>Amount</i>	<i>Qty.</i>	<i>Amount</i>
Construction/ Improvement of Pathways, Footpaths and Public Buildings	25	₱ 6,234,023.80	21	₱ 5,134,023.80
Construction/ Improvement of Educational Facilities	2	400,000.00	2	400,000.00
Rehabilitation of Watershed Sustainability Projects	2	1,500,000.00	1	300,000.00
Livelihood and Income Generating Projects	7	5,300,000.00	3	3,797,200.00
Counterparts to Other Priority Projects	7	5,950,000	5	3,610,000.00
Other Social/ Economic Services	2	2,700,000.00	2	2,700,000.00
<b>Total</b>	<b>45</b>	<b>₱22,084,023.80</b>	<b>34</b>	<b>₱ 15,941,223.80</b>

## D. Independent Auditor's Opinion on the Financial Statements

A qualified opinion was rendered on the fairness of presentation of the financial statements of the Municipality as of December 31, 2019.

A qualified opinion was issued since the LGU's Road Networks in the amount of ₱4,091,889.37 were not subjected to depreciation and were not disclosed in the Notes to Financial Statements, which constitute departures from pertinent provisions of IPSAS 17. Moreover, such assets were not supported by an inventory report which identifies and segregates costs of the Road Networks' components as prescribed under COA Circular No. 2015-008.

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

1. The recorded Local Road Networks of the Municipality totaling ₱4,091,889.37 is not supported by Inventory Reports that identify and segregate cost of Road Network components contrary to the provisions of COA Circular No. 2015-008.

We recommended and Management agreed to require the concerned officials to conduct inventory, prepare the required inventory reports and subsequently, adjust the recorded Road Networks based on the duly-reconciled Report on the Physical Count of the Road Network System of the Municipality.

2. The details of the Road Networks were not properly disclosed in the Notes to the Financial Statements contrary to the provisions of COA Circular No. 2015-008.

We recommended and the Municipal Accountant agreed to henceforth, disclose the details of the Road Networks account using the pro-forma disclosure in the Notes to the Financial Statements provided in Annex B of COA Circular No. 2015-008.

3. The Pre Marketing Agreements between the Proponent Group and potato farm buyers were not renewed since its expiration on August 20, 2018; thus, there is no assurance that the produce of the Sadsadan Association of Vegetable Producers Inc. will be sold at the quantity and price stipulated therein.

We recommended and Management agreed to require the parties to renew their pre marketing agreements to ensure the marketability of potato tubers in compliance with the Philippine Rural Development Project's (PRDP) duly-approved Business Plan.

4. The agency did not notify the public of their Programs/Projects/Activities (PPA) amounting to ₱12,410,471.62 through the posting of relevant information on signboards, posters, tarpaulins, electronic boards or similar materials within the agency premises or in the venue where the PPA is located, in compliance with COA Circular No. 2013-004 dated January 30, 2013.

We recommended and Management agreed to comply with the mandatory posting of relevant information of the implemented PRDP subprojects; and ensure that all required information in the project signboards or similar materials be provided in the prescribed size that can be clearly seen by the public.

5. Management did not require the subsequent submission of certified photocopies of the Taxpayers' Income Tax Returns relative to the payment of local business taxes, contrary to Section 1.e, Article A, Chapter III of the Updated Revenue Code for calendar year 2012 of the Municipality.

We recommended and Management agreed to henceforth, require business owners and organizations to submit certified photocopies of their ITRs in compliance with Section 1.e, Article A, Chapter III of the Updated Revenue Code for calendar years 2012 of the Municipality.

6. The CY 2019 Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) of the Municipality was not prepared in accordance with the format prescribed in Annex A of COA Circular No. 2012-002 resulting in the omission of several relevant information needed for a comprehensive summary of the LGU's DRRM Funds .

We recommended and Management agreed to henceforth, prepare its LDRRMF Investment Plan in accordance with Section 5.1.2 of COA Circular No. 2012-002 and the prescribed format in Annex A therein.

7. Expenses with a total amount of ₱154,895.00 were charged to the Quick Response Fund (QRF) of the Local Disaster Risk Reduction and Management Fund (LDRRMF) of the Municipality even without the Local Sanggunian Resolution and the declaration of state of calamity contrary to Item 5.1.3 of COA Circular No. 2012-002.

We recommended and Management agreed to henceforth, utilize the QRF only after issuance of a Local Sanggunian Resolution and the declaration of state of calamity to support such release pursuant to Section 5.1.3 of COA Circular No. 2012-002.

8. Four facilities funded by the PRDP with a total cost of ₱6,988,391.62 were not completed on time; thus, delaying the delivery of the needed greenhouses and storage building for the intended beneficiaries.

We recommended and Management agreed to initiate the immediate rectification of deficiencies in greenhouses 1 and 3 and the completion of the storage facility to enable the Association to cater to its orders of potato tubers.

We recommended further and Management agreed to conduct a timely inspection on the reported accomplishment in greenhouse 2 to fast track its utilization by the farmer beneficiaries.

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

As at December 31, 2019, the suspensions and disallowances of the Municipality had balances of ₱740,755.02 and ₱456,046.00, respectively. No Notices of Charge were issued during the year.

## **G. Status of Implementation of Prior Year's Audit Recommendations**

Of the 26 audit recommendations embodied in the CY 2018 Annual Audit Report, 15 were fully implemented, six were partially implemented, one was re-iterated with modifications in Part II of this report and four recommendations were not implemented by Management.