

## EXECUTIVE SUMMARY

### A. Introduction

The Local Government Unit of Natonin became a regular municipality of Mountain Province by virtue of Republic Act No. 4739 dated June 18, 1966. It is a 4th class municipality.

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

The Municipality's programs, projects and activities (PAPs) are geared towards promoting effective governance to its inhabitants by delivery of basic, regular and direct services in coordination with other agencies, whether government, non-government or private entities.

For CY 2019, the Municipality had 124 plantilla positions of which 110 had been filled-up. There are ten elected officials headed by the Honorable Municipal Mayor Jose T. Agagon and Vice Mayor Fernandez D. Linggayo.

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

The audit covered the operations of the Municipality of Natonin, Mountain Province 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

#### I. Comparative Status of Financial Conditions

<b>Particulars</b>	<b>2019</b>	<b>2018</b>	<b>Increase/(Decrease)</b>	<b>Percentage</b>
Assets	₱140,360,304.87	₱74,067,289.42	₱ 66,293,015.45	89.50%
Liabilities	101,742,147.71	29,286,228.86	72,455,918.85	247.41%
Equity	38,618,157.16	44,781,060.56	(6,162,903.40)	(13.76%)

#### II. Comparative Sources and Application of Funds

<b>Particulars</b>	<b>2019</b>	<b>2018</b>	<b>Increase/(Decrease)</b>	<b>Percentage</b>
Appropriation	₱ 97,167,934.82	₱ 88,001,968.91	₱ 9,165,965.91	10.42%
Revenue	94,013,181.59	87,291,549.06	6,721,632.53	7.70%
Expenses	94,202,651.06	84,797,043.36	9,405,607.70	11.09%

**C. Operational Highlights**

<i>Particulars</i>	<i>Targets</i>		<i>Accomplishment</i>	
	<i>No</i>	<i>Amount</i>	<i>No</i>	<i>Amount</i>
Construction/ Rehabilitation/ Footpath, Foot Trail, Foot Bridge, and Barangay Roads	43	₱7,412,720.00	5	₱3,524,185.00
Construction and Improvement Irrigations, Drainage Canals, and Flood Controls	21	4,255,000.00	4	1,150,000.00
Construction/Improvement of Ripraps, Erosion Controls, Comfort Rooms, Fences, School Grounds, Day Care Centers, and Basket Ball Courts	27	3,420,005.17	4	985,280.50
<b>TOTALS</b>	<b>91</b>	<b>₱14,817,725.17</b>	<b>13</b>	<b>₱5,659,465.50</b>

**D. Auditor’s Opinion on the Financial Statements**

A qualified opinion was rendered on the fairness of presentation of the financial statements.

A qualified opinion was issued since the LGU’s Road Networks in the amount of ₱10,914,079.92 were not disclosed in the Financial Statements which constitutes departure from pertinent provisions of IPSAS 17.

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

1. The details of the Road Networks amounting to ₱10,914,079.92 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-Designate agreed to 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.

2. Four ADM-funded projects with total contract cost of ₱11,129,784.10, three of which incurred a negative slippage of more than 15% which may eventually result to termination, remained uncompleted as at December 31, 2019, resulting in the non-delivery of potable water supply and basic infrastructure services to intended beneficiaries.

We recommended and Management agreed to immediately initiate termination procedures against the erring contractor for the incurred negative slippages of more than 15% and consequently, revert to the Bureau of Treasury the amount equivalent to the unimplemented portions of the subject projects, pursuant to regulations.

We further recommended and Management agreed that upon termination of the said projects, complete the same civil works using the MLGU's own funds, per directive of the Department of Interior and Local Government.

3. Proceeds of loans in the amount of ₱73,289,507.32 received in CY 2019, from the Municipal Development Fund Office (MDFO) and the Land Bank of the Philippines (LBP), have no separate subsidiary ledgers; hence, transactions and balances of each loan could not be easily determined.

We recommended and the Municipal Accountant-Designate agreed to prepare a separate subsidiary ledger for each of the loans received from the Municipal Development Fund Office and the Land Bank of the Philippines pursuant to Section 107 of the Manual on New Government Accounting System (NGAS) for local Government Units (LGUs), Volume 1.

We further recommended and Management agreed to prepare the necessary documents required for the renaming of the Municipal Government of Natonin TF MDFO Account to Municipal Government of Natonin Special Account – MDFO Loans and subsequently submit the same to the authorized government depository bank for appropriate action.

4. The Restoration/Rehabilitation of Pemmangwao-Labawaan Irrigation Canal amounting to ₱846,739.38, which does not take the nature of relief and recovery programs, was charged to the Quick Response Fund contrary to Rule 18, Section 2 of the IRR on RA 10121.

We recommended and Management agreed to henceforth, strictly utilize the 30% Quick Response Fund for relief and recovery programs pursuant to pertinent provisions of the Implementing Rules and Regulations on Republic Act 10121.

5. Liquidated damages were not imposed on contractors of Assistance to Disadvantaged Municipalities (ADM) and Assistance to Municipalities (AM) - funded projects with significant delays in completion contrary to Item 8.1, Annex E of the 2016 Revised IRR of RA 9184.

We recommended that Management impose liquidated damages on the erring contractors pursuant to Item 8.1, Annex E of the 2016 Revised IRR of RA 9184 for the concerned civil works' accomplishments are questionable.

6. Management hired 40 out of 52 pakyaw laborers who are not residents of Barangay Saliok and did not involve the Barangay leaders and the community in the formation of the pakyaw group; thus, limiting work opportunities for unemployed barangay residents who might be interested to join the pakyaw groups.

We recommended and Management agreed to henceforth, draw Pakyaw laborers within the vicinity of the project and involve the Barangay leaders and the community in the formation of pakyaw groups for projects implemented through by administration, pursuant to items 4.1 and 4.2, Appendix 1 of the 2016 IRR of RA 9184.

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

As at December 31, 2019, the disallowances of the Municipality had a balance of ₱845,544.09, excluding disallowances issued prior to the effectivity of the RRSA. A total of ₱1,288,897.78 suspensions accrued during the year, ₱924,142.29 of these were settled and ₱364,755.49 matured to disallowance, leaving a zero balance at year-end. No Notices of Charge were issued during the year.

#### **G. Status of Implementation by the Municipality of Prior Years' Audit Recommendations**

Of the 23 audit recommendations incorporated in the 2018 Annual Audit Report, 12 were fully implemented, four were partially implemented and seven are for implementation by Management.