

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Gamu was founded by the Royal Decree of the Spanish Government. It is the oldest town in Mallig Plains and is centrally located in the Province of Isabela approximately 10 kilometers away from the Provincial Capitol of Isabela, 101 kilometers to the Regional Capitol at Tuguegarao City, Cagayan and about 395 kilometers from the National Capital in the City of Manila. Gamu is a 4th class municipality and has a total land area of 129.40 sq. km. which composed of 16 barangays. The Municipality promotes tourism destination for the 5-5 Visita Iglesia.

Scope of the Audit

A financial, compliance and performance audit were conducted on the accounts and transactions/operations of the Municipality of Gamu, Isabela for the year 2019. The audit aimed at ascertaining the fairness of presentation of the financial statements, propriety of disbursements, and adequacy of accounting records. The audit focused on a test basis, the review of operating procedures, interview with concerned municipal officials and employees, verification and analysis of accounts, and such other procedures considered necessary under the circumstances.

The 2019 audit trusts/focus for the Local Government Sector was prioritized consistent with Unnumbered Memorandum dated July 3, 2019 issued by the Commission on Audit.

B. Highlights

B.1. Projects, Programs and Activities Completed and On-going in 2019

Item No.	Projects, Programs and Activities	Location	Fund Source	Contract Cost	Status
1	Rehabilitation/Improvement of Mabini Brgy. Road	Brgy. Mabini	20% EDF	1,884,795.00	Completed
2	Construction of Artesian Well (4-Units)	Brgy. Mabini, Rizal, Dammaso	20% EDF	372,075.60	Completed
3	Construction of Gamu Public Market Fence	Brgy. District 1	20% EDF	292,805.16	Completed
4	Rehabilitation/Improvement of Mabini Brgy. Roads	Brgy. Mabini	20% EDF	6,410,578.48	Completed
5	Construction of District 2 Barangay Health Station	Brgy. District 2	20% EDF	1,262,529.17	Completed
6	Rehabilitation/Improvement of Mabini Brgy. Roads	Brgy. Mabini	20% EDF	4,232,577.76	Completed
7	Rehabilitation/Improvement of District 1 Main Drainage	District 1	5% LDRRMF	3,188,761.51	Completed
8	Rehabilitation/Improvement of Mabini Brgy. Road	Brgy. Mabini	PGI - FA	3,961,785.85	Completed

Item No.	Projects, Programs and Activities	Location	Fund Source	Contract Cost	Status
9	Rehabilitation and Expansion of Municipal Hall	Brgy. District 1	MDFO Loan	7,376,741.65	Completed
10	Construction of Senior Citizen Center	Brgy. District 1	DSWD	1,007,666.25	Completed
11	Construction of Lenzon Multi-Purposed Building	Brgy. Lenzon	Excise Tax	2,967,601.91	Completed
12	Renovation/Improvement of RHU Bldg.	Brgy. District 1	Excise Tax	991,698.63	Completed
13	Construction of Extension of Lenzon Community Center	Brgy. Lenzon	Excise Tax	1,120,441.00	Completed
14	Completion of Dammao Community Center	Brgy. Dammao	Excise Tax	2,973,204.70	Completed
15	Continuation of Furao Community Center	Brgy. Furao	Excise Tax	393,129.65	Completed
16	Concreting Of Furao Barangay Roads	Brgy. Furao	Excise Tax	3,979,993.83	95%; On-going
17	Rehabilitation/Improvement of Mabini Brgy. Roads	Brgy. Mabini	20% EDF	1,319,249.93	90%; On-going
18	Installation Of Solar Street Lights Along National Highway	Brgy. Guibang & Upi	5% LDRRMF	1,928,310.00	90%; On-going
19	Rehabilitation/Improvement of Mabini Brgy. Roads	Brgy. Mabini	AM 2019	9,866,957.44	25%; On-going

Likewise, it is worthy to note that the Municipality of Gamu is a recipient of the Outstanding Accounting Office given by the Association of Government Accountants of the Philippines (AGAP), Inc.

B.2. Financial Information

The highlights of the financial condition, financial performance, appropriations, allotments and obligations of the Municipality of Gamu, Isabela for the year ended December 31, 2019, with comparative figures for CY 2018 are as follows:

Accounts	2019	2018	Increase (Decrease)
Financial Condition			
Total Assets	275,306,103.65	174,525,279.85	100,780,823.80
Total Liabilities	99,519,777.73	49,674,668.49	49,845,109.24
Total Government Equity	175,786,325.92	124,850,611.36	50,935,714.56

Financial Performance			
Total Revenue	129,649,643.35	118,028,822.65	11,620,820.70

Accounts	2019	2018	Increase (Decrease)
Total Current Operating Expenses	103,630,208.19	95,918,275.13	7,711,933.06
Transfers, Assistance and Subsidy To	1,456,052.18	3,596,455.43	(2,140,403.25)
Surplus(Deficit)	24,563,382.98	18,514,092.09	6,049,290.89

Appropriations, Allotments and Obligations			
Appropriations - Current	115,017,660.57	110,889,426.23	4,128,234.34
Appropriations- Continuing	20,046,125.62	0.00	20,046,125.62
Allotments – Current	115,017,660.57	110,889,426.23	4,128,234.34
Allotments – Continuing	20,046,125.62	0.00	20,046,125.62
Obligations – Current	108,926,349.22	98,157,431.88	10,768,917.34
Obligations - Continuing	11,230,138.68	0.00	11,230,138.68

Comparative Statement of fund transfer to and from LGUs, GOCCs and NGAs are as follows:

Accounts	2019	2018	Increase (Decrease)
Fund transferred to Other Agencies			
Due from LGUs	278,261.50	118,423.50	159,838.00
Due from GOCCs	0.00	0.00	0.00
Due from NGAs	0.00	197,924.75	(197,924.75)
Total	278,261.50	316,348.25	(38,086.75)
Fund received from Other Agencies			
Due to LGUs	1,543,783.69	5,243,675.63	(3,699,891.94)
Due to NGAs	15,546,502.30	3,884,477.75	11,662,024.55
Due to GOCCs	485,708.58	639,134.33	(153,425.75)
Total	17,575,994.57	9,767,287.71	7,808,706.86

C. Independent Auditor's Report on the Financial Statements

The combined financial statements of the Municipality of Gamu, Isabela were substantially prepared and presented in accordance with the International Public Sector Accounting Standards (IPSASs). Thus, the Auditor rendered an Unmodified Opinion on the fairness of presentation of the Municipality's financial statements as of December 31, 2019.

D. Summary of Significant Observations and Recommendations

The audit observations and recommendation were communicated to the Management's officials and staff through an Audit Observation Memorandum.

Their comments were incorporated in the report where appropriate. Among the significant observations and recommendations are as follows:

- 1. The design of the Office of the Municipal Treasurer wherein the Petty Cash Custodian is also situated is not properly planned nor was equipped with fixtures to ensure safety and protection of the government funds and property.**

We recommended that the Office of the Municipal Treasurer be provided with steel protection in the glass window counters and put up a door enclosure to safeguard the overall office. Likewise, steel cabinets be furnished to safely keep the cashbooks and accountable forms.

- 2. Unserviceable/obsolete properties with book value of P3,876,185.55 were still included as part of the PPE of the Municipality instead of being disposed in accordance with Section 79 of PD 1445 to generate additional revenues out of its scrap values and avoid further deterioration or loss thereof.**

We recommended that the Management undertake proper disposal of identified unserviceable/ obsolete PPEs and the Municipal Accountant make the necessary adjusting entry after disposal to record the derecognition of properties.

- 3. Delays in the completion of the five (5) projects funded under various sources totaling P18,872,664.46 were noted due to slow undertaking of the contractor/s which are already subject to liquidated damages for the negative slippage incurred, thus accomplishment of the project on time was not met as programmed.**

We recommended that Management, thru the Municipal Accountant, submit certified copies of disbursement vouchers and supporting documents showing that corresponding liquidated damages were already deducted from the contractors' claims on the above projects, if any. Further, the Municipal Engineer in coordination with the MPDC to (a) ensure that the contractors engage catch-up program in order to fast track the completion of the projects with noted delays to avoid rescindment of contract as stipulated in Section 68 of RA 9184; (b) conduct an inventory of work accomplished by the contractor and impose liquidated damages of at least equal to one-tenth of one percent (0.1%) of the cost of the unperformed portion for every day of delay; and (c) intensify monitoring of project in order to avoid recurrence of delay to other projects by submission of Statement of Time Elapsed and Work Accomplished for all infrastructure projects.

- 4. The Municipality's utilization of the Local Disaster Risk Reduction and Management Fund was not fully realized in accordance with the approved LDRRM Plan; CY 2019 appropriations were realigned; equipment purchased from LDRRM Fund was improperly recorded; and Local**

Disaster Risk Reduction and Management Office (LDRRMO) was not created, contrary to Section 21 of RA 10121, Item 6.4 and 6.5 of NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013, Item 5.5.2 of the immediately preceding mentioned Joint Memorandum Circular, and Section 12 of RA No. 10121 and Section 2, Rule 6 of its Implementing Rules and Regulations (IRR), hence the desired goals and objectives and enhancing disaster preparedness and response capabilities is not fully attained.

We recommended to the Management the following:

- a. Utilize the Local Disaster Risk Reduction and Management Fund in accordance with the approved Local Disaster Risk Reduction and Management Plans as incorporated in the local development plan and annual work and financial plan;
 - b. To desist in re-aligning current year appropriations for LDRRM Fund except in emergency crisis/situation;
 - c. The Municipal Accountant to recognize purchased equipment in accordance with Item 5.1.7 of COA-Circular No. 2012-002 dated September 12, 2012; and
 - d. To create Municipality's Local Disaster Risk Reduction and Management Office, under the Office of the Municipal Mayor pursuant to Section 21 of RA 10121.
- 5. Receipts of financial assistance from the Provincial Government of Isabela totaling P500,000.00 for the Livelihood Infrastructure and for the Construction of Smoke House received in year 2017 and 2018 remained unimplemented as of December 31, 2019, thus the benefits that could be derived therefrom were not achieved on time.**

We recommended that the Management fast track the prompt implementation of all projects/programs funded out of the financial assistance given by the Provincial Government of Isabela in order to give the constituents early benefits that could be derived therefrom otherwise return the fund to the source agency consistent with Section 4.9 and 6.7 of COA Circular No. 94-013.

- 6. The Municipality's 10-Year Solid Waste Management Plan for 2018-2027 is not compliant with RA 9003 or the Ecological Solid Waste Management Act of 2000 dated January 26, 2001 because it did not bear the approval of the National Solid Waste Management Commission, thus the programs implemented and those to be implemented by the Municipality may not be in accordance with the National Solid Waste Management Framework. Moreover, the Municipality was still operating open dump site for solid wastes contrary to Sections 17(h) and 37 of the same law, hence the policy**

of the State in ensuring the health of the public and environment may not be achieved.

We recommended that the Management intensify its efforts to have the 10-Year Ecological Solid Waste Management Plan for 2018-2027 approved by the National Solid Waste Management Commission to achieve its vision of having an economically stable, healthy, safe, adaptive, resilient God loving and law-abiding citizenry living in a peaceful, orderly and ecologically sound environment with a responsive and dynamic leadership.

We also recommended that Management strictly comply with all applicable rules and regulations of the Ecological Solid Waste Management Act of 2000 to ensure protection of public health and environment by closing the open dump site, and operate a sanitary landfill as a final disposal site for solid and eventually, residual wastes of the municipality.

- 7. The Municipality has consistently complied with the Revenue Regulations in the withholding of taxes from the salaries and wages of personnel and payments of purchases and business contracts for CY 2019 and in the remittance thereof to the Bureau of Internal Revenue (BIR) within the prescribed period. However, the Due to BIR account showed unremitted amount of P446,075.33 pertaining to prior years, depriving the government in the implementation of projects had it been remitted on time.**

We recommended that the Municipal Accountant (a) continue being compliant with the revenue regulations on the withholding of taxes from compensation of employees and creditable taxes for payments to suppliers and contractors and the remittance thereof within the prescribed period; (b) continue with the efforts to resolve and reconcile the carry-over discrepancy on the Due to BIR account balance and effect immediately the remittance of the overdue balance.

- 8. Audit disallowances totaling P2,578,770.33 still not been settled despite the issuance of Notice of Finality of Decision (NFD) and COA Order of Execution (COE) contrary to Section 7.1.3 of COA Circular No. 2009-006 dated September 15, 2009, Rules and Regulations on Settlement of Accounts (RRSA), to the prejudice of the Municipal Government of Gamu, Isabela.**

We recommended that Management require immediate settlement of the audit disallowances having been issued with COE to avoid further legal actions as prescribed by the aforementioned governing rules and regulations of the Circular. Likewise, strict compliance with laws, rules and regulations on the disbursements of funds to avoid issuances of audit suspensions, disallowances and charges in the future.

E. Gender and Development (GAD)

LGU Gamu, Isabela has allocated P5,411,378.05 or five percent (5%) of its annual budget for CY 2019 for Gender and Development (GAD). Also, it was able to prepare and submit a copy of its GAD Plan and Budget for the year to the Office of the Auditor. The GAD budget was allocated as fund to support integrating gender-perspectives in regular programs and projects of the agency. The LGU's identified gender issues were fully implemented per submitted accomplishment report for CY 2019.

F. Summary of Total Suspensions, Disallowances and Charges

Particulars	Balance as of January 1, 2019	Issued in 2019	Settled in 2019	Balance as of December 31, 2019
Suspensions	0.00	0.00	0.00	0.00
Disallowances	2,578,770.33	0.00	0.00	2,578,770.33
Charges	0.00	0.00	0.00	0.00
Total	2,578,770.33	0.00	0.00	2,578,770.33

G. Status of Implementation of Prior Years' Audit Recommendation

Out of the nineteen (19) audit recommendations in the CY 2018 Annual Audit Report and one (1) audit recommendation in the CY 2017 Annual Audit Report, fourteen (14) were fully implemented, three (3) were partially implemented and three (3) were not implemented or delayed implementation.