

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Maconacon, Isabela was created by virtue of Republic Act No. 5776 by the late Congressman Melanio T. Singson. Formerly, it was a remote barangay of Cabagan, Isabela. Maconacon became a Municipality on June 21, 1969. It has a total land area of 53,866 hectares of which forest area has the greatest portion as implied by the presence of some logging companies in the past but were now totally closed by the Department of Environment and Natural Resources (DENR). It is a third class municipality and it is situated along the Pacific Coast of the Province of Isabela bounded by the Municipality of Divilacan, Isabela on the south, by the Municipality of San Pablo, Isabela on the west, and on the north by the Municipality of Penablanca, Cagayan. Its major sources of income are farming and fishing.

B. Operational and Financial Highlights

B.1. Operational Highlights

The following projects were completed in 2019, among others:

No.	Name of Project	Location	Total Cost Incurred
1	Construction of Sumadag Bridge Concreting	Aplaya, Maconacon, Isabela	2,497,322.21
2	Construction of Sea Walls	Aplaya and Minanga, Maconacon, Isabela	1,199,610.13
3	Completion of Sangay Bridge Concreting	Aplaya, Maconacon, Isabela	1,196,045.91
4	Construction of Concrete Overflow Bridge	Aplaya, Maconacon, Isabela	995,902.98
5	Construction of Bridge at PO Creek	Aplaya, Maconacon, Isabela	995,902.97
6	Construction of 2 units Public Market Stalls	Fely, Maconacon, Isabela	898,816.56
7	Installation of Solar Lighting System	Poblacion, Maconacon, Isabela	629,725.93
8	Construction of Diaduan Hanging Bridge	Reina Mercedes, Maconacon, Isabela	500,000.00
9	Construction of Box Culvert	Canadam, Maconacon, Isabela	497,400.43
TOTAL			9,410,727.12

B.2. Financial Highlights

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

Accounts	2019	2018	Increase (Decrease)
Financial Position			
Total Assets	210,769,392.02	177,036,494.09	33,732,897.93
Total Liabilities	26,436,564.22	19,584,287.67	6,852,276.55
Total Government Equity	184,332,827.80	157,452,206.42	26,880,621.38
Financial Performance			
Total Revenue	131,490,001.76	119,936,456.73	11,553,545.03
Total Expenses	116,204,231.55	101,157,155.26	15,047,076.29
Appropriations, Allotments and Obligations			
Appropriations - Current	132,531,037.00	134,449,188.07	(1,918,151.07)
Appropriations-Continuing	49,963,292.25	12,709,345.08	37,253,947.17
Allotments – Current	132,531,037.00	134,449,188.07	(1,918,151.07)
Allotments – Continuing	49,963,292.25	12,709,345.08	37,253,947.17
Obligations – Current	122,676,422.56	100,438,438.63	22,237,983.93
Obligations - Continuing	23,721,269.87	7,589,424.35	16,131,845.52

Comparative Statement of fund transfer to and from LGUs, NGAs, and NGOs/POs are as follows:

Accounts	2019	2018	Increase (Decrease)
Fund transferred to Other Agencies			
Due from LGUs	50,000.00	0.00	50,000.00
Due from NGAs	200,000.00	0.00	200,000.00
Due from NGOs/POs	0.00	0.00	0.00
TOTAL	250,000.00	0.00	250,000.00
Fund received from Other Agencies			
Due to LGUs	768,778.26	1,274,820.10	(506,041.84)
Due to NGAs	14,044,178.97	10,173,592.72	3,870,586.25
Due to NGOs/POs	0.00	0.00	0.00
TOTAL	14,812,957.23	11,448,412.82	3,364,544.41

C. Scope of the Audit

A financial and compliance audit including performance audit was conducted on the accounts and operations of the Municipality of Maconacon, Isabela for the year 2019. The audit was 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.

Consistent with COA-LGS Memorandum dated July 3, 2019, the audit focus and thrust areas for the Local Government Sector stated therein were prioritized for audit.

D. Auditor's Opinion on the Financial Statements

We rendered a Modified Opinion on the fairness of presentation of the financial statement due to the following:

1. Breeding Stocks costing P394,000.00 remained unchanged in the books of LGU Maconacon, Isabela since 2017. Considering the passage of time and the possible changes (*e.g. death, loss, reproduction, purchase, etc.*) that may have happened, the balance of the account may not be presented fairly in the financial statements as of December 31, 2019., and
2. Unserviceable and/or destroyed properties costing P10,279,901.49 were still included in the account Property, Plant and Equipment (PPE) of LGU Maconacon, Isabela. Since these properties are no longer used in the operation of the LGU and are still computed their corresponding depreciation expenses, the balances of the PPE and Government Equity accounts may not be presented fairly in the financial statements as of December 31, 2019.

E. Summary of Significant Observations and Recommendations

For the exceptions mentioned above, we recommended the following courses of action:

1. The Municipal Accountant and Municipal Agriculturist reconcile their records on the breeding stocks of the LGU. Thereafter, the Municipal Accountant take up the necessary adjustments with proper disclosures to present fairly the balance of the account in the financial statements., and
2. Management observe the proper guidelines in the inventory and disposal of the unserviceable/destroyed properties of the LGU. Correspondingly, the Inventory and Inspection Report of Unserviceable Properties (IIRUP) be prepared as basis for the disposal and the possible dropping of the cost of the

disposed properties in the books of the LGU, thus, present fairly the PPE and Government Equity accounts in the books.

The other significant observations and recommendations are the following:

1. The Post-Qualification process on various infrastructure projects costing P7,183,899.24 of LGU Maconacon, Isabela was not in accordance with the prescribed procedures under the Revised IRR of Republic Act No. 9184, hence, may not serve its real purpose of ensuring that the single calculated bidder was truly complying and responsive to the requirements and conditions for the projects.

We recommended that the Technical Working Group (TWG) of LGU Maconacon, Isabela conduct the post-qualification following the prescribed procedures to serve its purpose, thus, ensure that all projects are awarded to and undertaken by bidders/contractors which do not only offer the lowest bid but which are also found complying and responsive to all the pertinent requirements and conditions.;

2. Procurement of goods and infrastructure projects costing P12,901,134.90 were not supported with complete documentation contrary to existing rules and regulations, thus, the validity, legality, and propriety of the transactions could not be relied upon.

We recommended that Management ensure that all procurements of the LGU be supported with complete documentation as prescribed. In this regard, the required lacking and necessary corrective documents be submitted for verification.;

3. The Local Disaster Risk Reduction & Management Plan (LDRRMP) for 2019 was not in accordance with Section 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012, hence, the audit of the fund and the utilization thereof may not be effective.

We recommended that Management prepare the Local Disaster Risk Reduction and Management Plan (LDRRMP) in accordance with the pertinent provisions of COA Circular No. 2012-002. Accordingly, the plan should include information on the list of projects and activities charged to the unexpended LDRRMF of previous years.;

4. Financial assistance for specified purposes amounting to P830,500.00 were taken up as Other MOOE instead of as Due from LGUs and Due from NGAs which was not in keeping with COA Circular No. 2015-009 dated December 1, 2015, thus, the misstatement of the affected accounts in the books and no basis to demand for liquidation from the recipient barangays and school.;

We recommended that the Municipal Accountant take up funds granted to the barangays and the school for specified purposes as “Due from LGUs and Due

from NGAs”, respectively, for fair presentation of accounts in the books as well as to establish accountability and demand for liquidation.;

5. Meals and snacks amounting to P37,380.00 served during regular sessions of the Members of the Sangguniang Bayan (SB) were paid instead of having been charged against their respective representation allowances (RA) as prescribed under LBC No. 103 dated May 15, 2013.

We recommended that Management refrain from paying meals and snacks incurred during the regular sessions of the members of the local sanggunian as these are supposedly covered by their respective Representation Allowances (RA). Correspondingly, the meals and snacks amounting to P37,380.00 be refunded by the , concerned members of the local sanggunian.;

6. 120 checks were cancelled by the Municipal Treasurer for the period January to May 2019 which was not in keeping with Section 2 of Presidential Decree No. 1445, thus, an indication of inefficiency resulting in wastage of government resources.

We recommended that the Municipal Treasurer be more cautious in the preparation or use of checks to avoid cancellation thereof, thus, ensure efficiency and economy in the use of government resources.;

7. LGU Maconacon, Isabela engaged the services of 110 job order workers for an amount of P30,105.00 per day or P662,310.00 per month, some of them to do functions which can be or should be done by regular employees, hence, may not be efficient and economical considering the difficulty of monitoring such a number of workers, and the possible risks involved due to absence of accountability and hold over the workers.

We reiterated our recommendation that Management revisit its staffing pattern. In this regard, the LGU may consider filling up some of its vacant plantilla positions (*e.g. Clerk, Computer Operator*) and reduce the number of job order workers, thus, facilitate monitoring of workers and establish more accountability at work.;

8. Telephone expenses amounting to P209,979.00 per month, i.e. ranging from P3,500.00 to P25,860.00 per head, were granted to various officials and employees in the form of mobile cards instead of monthly plans with an established service provider, hence, may not be economical, efficient, and equitable.

We recommended that Management revisit the grant of monthly communication allowance in the form of mobile cards to its officials and employees. In this regard, Management may avail of monthly plans with an established service provider to be more economical, efficient, and equitable.;

and

9. Projects, programs and activities costing P2,917,339.00 charged against the Solid Waste Management, Gender and Development, and funds received from NGAs were not implemented/undertaken in 2019 as programmed, hence, the delay in the delivery of the intended purposes or uses thereof to the target beneficiaries.

We recommended that Management monitor and ensure the implementation and completion of all the LGU's programs, projects and activities for solid waste management, gender and development, and other purposes to immediately serve the intended purpose or uses thereof to the target-beneficiaries.

The foregoing audit observations are discussed in detail in Part II-Detailed Observations and Recommendations portion of this report. These were discussed with management officials in an exit conference held on February 21, 2020 at Piazza Zicarelli, Gamu, Isabela. Management's comments were incorporated in the report where applicable.

F. 20% Development Fund

The Municipality of Maconacon, Isabela allocated P25,528,928.00 or 20.00% of their Internal Revenue Allotment (IRA) amounting to P127,644,639.00 for development programs, projects and activities (PPAs) which partake the nature or investment or capital expenditures as prescribed under DBM-DILG Joint Memorandum Circular No. 2017-01 dated February 22, 2017.

Also, the identified PPAs were indicated in the Annual Investment Plan (AIP) of the Municipality.

G. Solid Waste Management

The Municipality of Maconacon, Isabela allocated P1,700,000.00 for programs, projects and activities (PPAs) on Solid Waste Management.

Also, the Municipality submitted a copy of their ESWM Accomplishment Report to the Office of the Auditor on February 4, 2020.

H. Special Education Fund (SEF)

The Municipality of Maconacon, Isabela, through Local School Board Resolution No. 208-2018, allocated the amount of P532,210.77 as Special Education Fund for various priority projects which are allowed under DEPED-DBM-DILG Joint Circular No. 1, series of 2017.

I. Gender and Development (GAD)

The Municipality of Maconacon, Isabela appropriated P6,472,232.00 or 5% of their total original budget for CY 2019 amounting to P129,444,639.00 to

finance their programs, projects and activities for Gender and Development. The GAD Plan and Budget for 2019 was duly endorsed by the Provincial Director of the DILG.

Also, the Municipality submitted a copy of their GAD Accomplishment Report to the Office of the Auditor on February 4, 2020.

J. Local Disaster Risk Reduction and Management (LDRRM)

The Municipality of Maconacon, Isabela allocated P6,472,232.00 or 5% of their total original budget for CY 2019 amounting to P129,444,639.00 for Local Disaster Risk Reduction and Management (LDRRM).

Also, it was able to prepare and submit a copy of its LDRRM Plan for the year to the Office of the Auditor.

K. Local Council for the Protection of Children (LCPC)

The Municipality of Maconacon, Isabela appropriated P1,276,446.00 or 1% of its Annual Budget for CY 2019 to finance programs, projects and activities for the protection of children in the Municipality.

L. Audit of Revenues

The Municipality of Maconacon, Isabela collected P3,057,208.78 or 70% of its estimated revenues from property taxes, permits and licenses, businesses and other sources for 2019.

M. Remittance of Mandatory Contributions/Premiums to GSIS

GSIS premiums, contributions and loan amortizations were appropriately deducted from the salaries of the officials and employees of LGU Maconacon, Isabela for the period January to December 2019. Except for the months of January, July and October 2018, the deducted amounts were duly remitted to GSIS within the prescribed period under GSIS Act of 1997.

N. Compliance with Tax Laws

Value Added Taxes (VAT) and Creditable Income Taxes (CIT) in the acquisition and procurement of supplies, materials, equipment and services and Income Taxes on Compensation were consistently withheld and remitted to the Bureau of Internal Revenue (BIR) in accordance with Revenue Regulation No. 02-98 as amended.

O. 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	0.00	0.00	0.00	0.00
Charges	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

P. Status of Implementation of Prior Years' Audit Recommendation

Out of the 16 audit recommendations in the CY 2018 Annual Audit Report including prior years, eight were implemented, six were partially implemented, and two were not implemented.