

EXECUTIVE SUMMARY

A. Introduction

The municipal district of Imugan, now Santa Fe, was created by virtue of Executive Order No. 39 by then Governor-General Francis Harrison in 1917. On July 01, 1964, President Ferdinand E. Marcos issued Executive Order No. 77, covering the Municipality from its status as a municipal district into a regular municipality after learning of the town's annual income for the four (4) consecutive fiscal years, which ended on June 30, 1963. The Municipality of Santa Fe became full-pledge municipality of the Province of Nueva Vizcaya by virtue of Republic Act No.1515. It covers an area of 39,981.96 hectares with 16 barangays. It has a population of 13,949.

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Santa Fe for the period ended December 31, 2019. The audit objectives were to ascertain the propriety of disbursements, the reliability of financial reports, the adequacy of accounting records, compliance with laws, rules and regulations as well as adherence to prescribed policies and procedures. Likewise, the audit was conducted to determine whether plans, programs, projects and activities for the year were attained in an efficient, economic and effective manner.

B. Highlights of Financial Operation

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

	2019	2018	Variance	%
Assets	227,929,336.20	157,084,262.59	70,845,073.61	45.10%
Liabilities	55,491,002.25	37,390,339.21	18,100,663.04	48.41%
Government Equity	172,438,333.95	119,693,923.38	52,744,410.57	44.07%
Revenue	132,128,455.16	119,118,550.72	13,009,904.44	10.92%
Expense	110,722,262.81	103,012,708.88	7,709,553.93	7.48%
Surplus	21,406,192.35	16,105,841.84	5,300,350.51	32.91%
Current Year Allotment	138,653,378.51	127,359,411.00	11,293,967.51	8.87%
Continuing Appropriation	17,807,724.44	13,973,942.23	3,833,782.21	27.44%
Total Allotments	156,461,102.95	141,333,353.23	15,127,749.72	10.70%
Current Year Obligations	128,776,559.31	112,801,572.76	15,974,986.55	14.16%
Continuing Obligations	10,802,902.39	6,264,625.41	4,538,276.98	72.44%
Total Obligations	139,579,461.70	119,066,198.17	20,513,263.53	17.23%
Unobligated Balance	16,881,641.25	14,557,838.24	2,323,803.01	15.96%
Unobligated-Current	9,876,819.20	7,709,316.82	2,167,502.38	28.12%
Unobligated-Continuing	7,004,822.05	22,267,155.06	(15,262,333.01)	-68.54%

During the year, Assets, Liabilities and Government Equity increased by P70,845,073.61, P18,100,663.04 and P52,744,410.57, respectively. Likewise, Revenues and Expenses increased by P13,009,904.44 and P7,709,553.93, respectively resulting in

the increase in Surplus of P5,300,350.51 representing 32.91% increase for not exceeding expenses. The total allotments of the municipality amounted to P156,461,102.95 and obligations incurred amounted to P139,579,461.70 leaving an unobligated balance of P16,681,641.25 of which amount of P7,004,822.05 is a continuing appropriation and P9,876,819.20 is free of any obligation and available for appropriation in the ensuing year.

Comparative Statement of Funds Transfer to and from NGAs, LGUs, NPOs and POs:

	2019	2018	Increase
Fund Transferred to Other			
Due from NGAs	-	-	-
Due from GOCCs	-	-	-
Due from LGUs	P2,850,000.00	P2,400,000.00	P450,000.00
Due from NGOs/POs	-	-	-
TOTAL	P2,850,000.00	P2,400,000.00	P450,000.00
Fund Received from Other			
Due to Other NGAs	31,553,662.08	10,188,874.34	21,364,787.74
Due to LGUs	6,654,090.47	5,967,802.19	686,288.28
Due to NGOs/POs	0	0	
TOTAL	P38,207,752.55	P16,156,676.53	P22,051,076.02

C. Scope and Objectives

The audit covered the accounts and operations of the Municipality for the year ended December 31, 2019. It aimed to determine whether management assertion and presentation of the Municipality's financial statements is in adherence with the International Public Sector Accounting Standards and whether existing laws, rules and regulation have been complied with. Financial and compliance audits as well as value for money audit/performance evaluation was likewise undertaken to determine whether the Municipality's plans, programs and activities for the year were implemented in an efficient, effective and economical manner.

D. Auditor's Opinion on the Financial Statements

The Auditor issued a Qualified Opinion on the fairness of the presentation of the financial statements of the Municipality of Santa Fe, Nueva Vizcaya for the year ended December 31, 2019.

E. Summary of Significant Findings and Recommendations

The findings and recommendations were communicated with management through the issuance of an Audit Observation Memorandum (AOM) and management comments were incorporated in the final report, were appropriate. We were not able to discuss with

Management the findings and recommendations in an exit conference, as a matter of procedure, in view of the Coronavirus Disease 2019 (COVID 19) Outbreak in adherence to Proclamation No. 929 issued by the President of the Philippines.

1. The Municipality neither conducted the physical count and inventory nor prepared the corresponding Report of the Physical Count of Property, Plant and Equipment (RPCPPE) of municipal properties totaling P210,670,780.94 in violation of Section 124 of the Manual on the New Government Accounting System and Section 122 of PD No. 1445, hence, the propriety, validity, existence and condition of PPEs could not be ascertained and verified and the persons in charge who failed to submit the required RPCPPE shall be penalized as imposed by regulations because they contributed to the municipal violation which had been observed not only in the past year but also in many prior years.

We recommended that Management –

- (1) Conduct annual physical count of municipal properties;
 - (2) prepare and submit the corresponding Report on the Physical Count of Property, Plant and Equipment by the designated Property Inventory Committee by indicating also therein the cost of the items and the persons in charge of properties and their respective offices to pinpoint accountability on the cost and responsibility over the properties ;
 - (3) reconcile the inventory report (RPCPPE) with the accounting records;
 - (4) book-up donated PPE in accordance with the Memorandum of Agreement or Acknowledgement Receipt for Equipment, as the case may be which was executed by the donor agency;
 - (5) segregate unserviceable items beyond repair and report them in the Inventory and Inspection Report of Unserviceable Properties (IIRUP) so that the PPE accounts are properly accounted in the financial statements and unserviceable items are disposed within the limits of authority/Sangguniang Bayan resolution; and
 - (6) identify lost items and prepare and file request for relief from accountability;
 - (7) the preparation of the RPCPPE is a serious matter because it concerns the validation of the existence of the ownership over all municipal properties, thus, enforce the suspension of the payment of salaries of persons concerned who failed to prepare the required report until they have submitted said report to COA in consonance with Section 122 (1) of PD No. 1445.
2. Barangay properties amounting to P36,234,858.06 constructed and paid from municipal funds but being utilized by the barangay were still part of municipal Property, Plant and Equipment which is not in line with the provisions of PPSAS 17, thus, total municipal PPE and Government Equity are overstated.

We recommended that the Municipal Accountant derecognize the barangay properties funded out of municipal funds in favor of the barangays. The Journal

Entry Voucher (JEV) dropping these barangay accounts from the municipal books shall be copy furnished the barangay as the basis of the Barangay Bookkeeper of recognizing the actual cost of PPE to be recorded in the barangay ledgers. In this way, the municipal books shall only contain those PPEs which are being actually used by the municipality and which are in their custody to properly attain the fair valuation of municipal PPE and corresponding municipal investment in the Government Equity.

3. Cash-in-Bank depository accounts totaling P65,802,422.91 had a discrepancy of P403,329.50 with the adjusted balances arrived at and verified in the submitted Bank Reconciliation Statements not in consonance with Section 111 of PD No. 1445, hence, the amount of cash maintained in the Authorized Government Depository Banks was not fairly presented as at the end of the audit year.

We recommended that the Municipality should always update the recording of the identified reconciling items in the Cash-in-Bank accounts which are derived from the monthly Bank Reconciliation Statement as verified by the Auditor in order to arrive at the accurate valuation of maintained depository accounts which shall be used by Management in rendering the appropriate decision on the use of municipal funds.

4. Electric consumption of the Municipality pertaining to the year FY2019 amounting to P405,199.55 was not accrued as Accounts Payable despite its usage in the audit year covered which was not obligated from the appropriations of MOOE not adhering to Sections 85 and 119 of PD No. 1445, hence, affecting its charging in future periods and also in the year 2019 these services were delivered to the Municipality which understates municipal Expenses and Liabilities in the financial statements.

We recommended that the Municipality shall always be aware of its outstanding Payables at the end of each fiscal year and obligate/charge them against the current year appropriations and correspondingly set up the Accounts Payable account in compliance with regulations. In this way, the recording of expenses in the year these were incurred is properly accounted and the Expenses relating to the year shall all be taken up and the Government Equity as at the end of the year shall also be fairly valued. Management shall be aware of its responsibility for the proper disposition of government funds under their custody.

5. Receipts from the Philippine Charity Sweepstakes Office (PCSO) for the Small Town Lottery monthly share of the Municipality were credited to the account Share from PCSO/STL allocation maintained in the Trust Fund not in consonance with the proper classification of the account as defined in COA Circular 2015-010 on the description of the chart of accounts in the Government and Section 121 of PD 1445 for the 2019 total collections of P32,381.21 which should had been recorded as an Income-Assistance and

Subsidy in the General Fund, thus, Income and Government Equity were understated and Trust Liability was overstated.

We recommended that the Municipal Accountant record in the General Fund as Income all collections from the PCSO for the municipal STL monthly shares.

F. Summary of Total Suspensions, Disallowances and Charges as of year-end

Particulars	Beginning	Issued	Settlement	Ending	% of
<u>Suspensions</u>					
Prior Years	P183,640.30	-	-	P183,640.30	100.00%
Current Year	-	-	-	-	0.00%
Total	P183,640.30	-	-	P183,640.30	100.00%
<u>Disallowances</u>					
Prior Years	P1,989,843.04		775,305.17	P1,214,537.87	61.04%
Current Year		-			
Total	P1,989,843.04	0	P775,305.17	P1,214,537.87	61.04%
<u>Charges</u>					
Prior Years	-	-	-	-	-
Current Year	-	-	-	-	-
Total	-	-	-	-	-

G. Status of Implementation of Prior Year's Recommendations

Out of the twenty-four (24) recommendations embodied in the 2018 Annual Audit Report, eight (8) were fully implemented, nine (9) were partially implemented and seven (7) were not implemented.