

## EXECUTIVE SUMMARY

### Introduction

The Municipality of Alcantara acquired its political status on March 21, 1961 by virtue of Executive Order No. 427, series of 1961.

The municipality's operation is focused on the (a) delivery of basic services and the provision of adequate facilities as provided under Section 17 of Republic Act No. 7160 otherwise known as the Local Government Code of 1991; (b) exercise of general supervision and control over all programs, projects, services and activities; and (c) generation of maximum resources and revenues for the implementation of development plans, programs and projects.

### Financial Highlights

For Calendar Year (CY) 2019, the Municipal Government of Alcantara generated a total income of ₱74,468,906, which is higher by ₱6,061,572 or 8.86% compared with last year's ₱68,407,334. The internal revenue allotment of ₱69,695,248 represents 93.59% of the total income. Other major sources of income are local taxes, permits and licenses, service, business and other income.

The total assets, liabilities, government equity, income and expenses for CY 2019 compared with that of the preceding year are summarized below and shown in detail in the attached financial statements.

	<u>CY 2019</u>	<u>CY 2018</u>	<u>Increase/ (Decrease)</u>
Total Assets	₱139,825,155	₱151,421,544	₱(11,596,389)
Total Liabilities	11,584,891	32,994,115	(21,409,224)
Total Equity	128,240,264	118,427,429	9,812,835
Total Income	74,468,906	68,407,334	6,061,572
Total Expenses	65,296,470	58,907,389	6,389,081

### Scope of Audit

The Audit Team conducted financial, compliance and value for money audit on the accounts and operations of the Municipality of Alcantara for CY 2019. The objectives of the audit were to ascertain the fairness and reliability of the Municipality's financial position, financial performance and compliance with laws, rules and regulations as well as to determine whether plans, programs and activities for the year were attained in an efficient, economical and effective manner.

## **Audit Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality since as of year-end, the validity, correctness and existence of Inventories and Property, Plant and Equipment (PPE) accounts (excluding Construction-in-Progress accounts) with net book value of ₱346,800.50 and ₱106,755,373.59, respectively, as of December 31, 2019 could not be ascertained due to non- submission of the Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of Property, Plant and Equipment (RPCPPE) to support the Inventories and PPE accounts rendering the balances of these accounts as of year-end unreliable.

## **Significant Observations and Recommendations**

For the exception cited above, we recommended that the Inventory Committee conduct a complete physical count of all the Inventories and PPE and reconcile the results of the count with the property and accounting records and submit the complete and accurate RPCI and RPCPPE to the Audit Team. Coordinated efforts of the municipal employees should be encouraged and members of the Inventory Committee should manage their respective responsibilities and prioritize the physical count and preparation of corresponding reports thereon.

In addition, the following are the significant observations and recommendations in the audit of the Municipality for Calendar Year 2019:

1. Unreconciled difference between the book and bank balances of Cash in Bank (CIB) accounts remained unadjusted due to the absence of bank records contrary to COA Circular No. 96-011 dated October 2, 1996, rendering the consolidated balance as of December 31, 2019 amounting to ₱27,178,272.08 unreliable.

We recommended that the (a) Municipal Accountant draw the appropriate journal entry vouchers (JEV) to recognize all reconciling items and adjustments of errors affecting the Cash in Bank and other related accounts; and (b) Municipal Treasurer and Municipal Accountant, in coordination with the depository bank, exert more vigorous efforts to cause the retrieval and validation of records for the establishment of details of the unconfirmed bank accounts.

We also recommended that the Municipal Mayor remind the managing head of the depository banks of the Municipality of their duty and responsibility to furnish the Local Accountant with the Bank Statements including debit/credit memos (DM/CM), paid checks, etc., within five days after the end of each month pursuant to Item 3.1 of COA Circular No. 96-011.

2. Long outstanding receivable accounts as of December 31, 2019 totaling ₱1,281,597.62 continued to exist in the books of the agency and remained uncollected due to the absence of records/documents and management's lack of

effort to institute action to collect same contrary to Section 64 of the Government Accounting and Auditing Manual (GAAM), rendering the reliability of the financial statements (FSs) under audit at stake.

Considering the lapse of time that these accounts remained outstanding, we reiterated our recommendation and management took note that the Municipal Accountant exert all efforts to verify the nature of the dormant receivables and determine their existence and validity, otherwise, apply for write off in accordance with the guidelines and procedures prescribed by COA Circular No. 2016-005 dated December 29, 2016.

3. Various deficiencies were noted in the utilization, reporting and accounting of the five percent Local Disaster Risk Reduction and Management Fund (LDRRMF) as follows: (a) non-inclusion in the CY 2019 Annual LDRRMF Investment Plan the list of projects and activities charged to the unexpended LDRRMF of previous years; (b) delayed submission of the Monthly Reports on Sources and Utilization of DRRMF and deficiency in the disclosure of amounts and details of unexpended balance of LDRRMF in the Notes to Financial Statements; (c) unutilized balance totaling ₱1,779,059.71 not fully transferred to the Special Trust Fund; and (d) non-compliance with the minimum standards on equipage and service delivery relative to disaster preparedness contrary to the provisions of COA Circular No. 2012-002 dated September 12, 2012 and other pertinent rules and regulations, thereby exposing the municipality to various risks in the implementation of the projects and activities charged against the fund.

We recommended and management agreed that the:

- a. LDRRMO to i) prepare and submit the LDRRMFIP and Report on Sources and Utilization of DRRM to the Audit Team in accordance with Items 5.1.2 and 5.1.5 of COA Circular No. 2012-002 dated September 12, 2012; ii) in case there is a change in the proposed projects, see to it that the MDRRM Council is guided by Item 6.5 of NDRRMC-DBM-DILG JMC No. 2013-1 dated March 25, 2013; iii) consider increasing the appropriation intended for the acquisition of DRRM equipage in the LDRRMF Plan and prioritize the acquisition of the lacking DRRM equipment, tools and paraphernalia to comply with the minimum standard pursuant to DILG Memorandum Circular No. 2012-73. This is to complement the existing equipage already available in the MDRRM Office; and iv) consider the requisitions of items needed to maintain pre-positioned food packs and hygiene kits for at least 500 families at any given time in compliance with the minimum standards and pursuant to NDRRMC-DBM-DILG JMC No. 2013-1; and
- b. Municipal Accountant to strictly adhere with the guidelines set forth by COA Circular No. 2012-002 and COA Circular No. 2014-002 for proper i) accounting and recording of the utilization of the LDRRM Fund; ii) disclosure

of the balance in the Notes to FS; and iii) transfer of unexpended LDRRM Fund to Special Trust Fund.

The above, together with the other audit observations and recommendations contained in the report, were discussed with concerned municipal officials and staff during the exit conference conducted on March 10, 2020. When appropriate, Management's views and reactions were considered in the report.

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

As of December 31, 2019, the unsettled Audit Disallowances of the Municipality of Alcantara, Romblon amounted to ₱3,402,760.37 as shown below:

	Beginning Balance (As of December 31, 2018)	This Period January 1 to December 31, 2019		Ending Balance (as of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	3,402,760.37	0.00	0.00	3,402,760.37
Notice of Charge	0.00	0.00	0.00	0.00
<b>Total</b>	<b>₱ 3,402,760.37</b>	<b>₱ 0.00</b>	<b>₱ 0.00</b>	<b>₱ 3,402,760.37</b>

Partial settlements were made by the municipal employees through payroll deduction thus, the balance of unsettled disallowance per the Statement of Financial Position was ₱1,824,872.17. However, these partial settlements were not clothed with authority from the Commission on Audit to settle the disallowances thru partial settlements. On February 24, 2020, the Municipality had submitted the request for partial settlements of disallowances to the Audit Team. The said request was endorsed by the Audit Team to COA Regional Office No. IV-B on February 28, 2020 for appropriate action.

### **Status of Implementation of Prior Years' Audit Recommendations**

The 10 audit recommendations contained in the Annual Audit Report (AAR) of the Municipality of Alcantara, Province of Romblon for the year ended December 31, 2018 were partially implemented. Also, there were three audit recommendations from previous years' AAR, one of which was fully implemented, one was partially implemented and one was not implemented during the year.