

# EXECUTIVE SUMMARY

## 1. INTRODUCTION

The Municipality of Del Gallego, Camarines Sur was created in 1936 by virtue of Executive Order No. 56 of the late President Manuel L. Quezon. A fourth (4<sup>th</sup>) class municipality with thirty-two (32) barangays, the Local Government of Del Gallego has a total of 78 personnel, composed of 12 elective officials and 66 appointed officials and employees. Like other local government units, the general function and responsibility, under the leadership of Honorable Mayor Melanie B. Abarientos-Garcia and Honorable Vice-Mayor Cleto R. Suarilla, is to provide basic and direct services and facilities to its constituents.

The LGU was consistently a recipient of the Seal of Good Governance awarded by DILG for its good and excellent performance from CYs 2011 to 2015. For its successful implementation of governance, institutional and agrarian reform initiatives in 2016, the Municipality was also awarded by the Department of Agrarian Reform (DAR) and Department of Finance (DOF) the Performance-based Incentive Award with Triple A (AAA) rating. Other awards and recognitions were also received by the LGU from various organizations and institutions.

### Audit Methodology and Scope of Audit

A Financial and Compliance audit was conducted on the transactions covering the period from January 2 to December 31, 2019. The audit included, but not limited to, the analysis of financial and accounting records and reports and the determination of the validity and propriety of the agency's transactions. A Value for Money (VFM) Audit was undertaken on selected areas to determine whether agency goals and objectives were attained in an economical, efficient and effective manner.

The audit was focused on the different audit thrust/areas required by the Local Government Sector of the Commission.

## 2. FINANCIAL HIGHLIGHTS

### 2.1 Financial Position and Performance

Particulars	In Philippine Peso			% of
	2019	2018	Increase/ (Decrease)	Increase/ (Decrease)
<b>Financial Position</b>				
Total Assets	601,033,671.38	571,412,139.73	29,621,531.65	5
Total Liabilities	184,184,712.91	245,520,911.07	(61,336,198.16)	(25)
Government Equity	416,848,958.47	269,428,930.41	147,420,028.06	55

Particulars	In Philippine Peso			% of Increase/ (Decrease)
	2019	2018	Increase/ (Decrease)	
<b>Financial Performance</b>				
Total Income	138,308,359.49	104,841,273.27	33,467,086.22	32
Total Expenses	97,393,156.15	75,750,798.96	21,642,357.19	29
Net Surplus	40,915,203.34	29,090,474.31	11,824,729.03	41

## 2.2 Sources and Application of Funds

Particulars	In Philippine Peso			% of Increase/ (Decrease)
	2019	2018	Increase/ (Decrease)	
<b>General Fund</b>				
Allotments	102,833,772.97	179,573,518.56	(76,739,745.59)	(42.73)
Obligations	85,602,487.25	132,539,248.63	(46,936,761.38)	(35.41)
Balance	17,231,285.72	47,034,269.93	(29,802,984.21)	(63.36)
<b>SEF</b>				
Allotments	961,000.00	972,500.00	(11,500.00)	(1.18)
Obligations	547,778.10	593,268.82	(45,490.72)	(7.67)
Balance	413,221.90	379,231.18	33,990.72	8.96

## 2.3 Major Programs/Projects/Activities Undertaken in CY 2019

The Municipality reported the implementation of 13 projects costing ₱20,328,777.51, as follows:

Name of Projects	No. of Projects	Cost
Road Concreting/Reblocking	3	₱ 6,795,081.76
Construction Projects	6	6,651,313.68
Improvement Projects	1	2,994,392.07
Other Infra Projects	3	3,887,990.00
<b>Totals</b>	<b>13</b>	<b>₱ 20,328,777.51</b>

## 3. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The auditor rendered an unqualified opinion on the fairness of presentation of the financial statements for the year 2019.

#### **4. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

For the exceptions mentioned above, we recommended and Management agreed (1) to direct the Municipal Accountant to prepare the necessary adjusting entries to record/correct valid reconciling items; (2) to direct the Disposal Committee to initiate the appropriate disposal of unserviceable items and the Municipal Accountant and the Acting Municipal Treasurer/Property Officer to exert effort to locate/account the missing or non-existing items; (3) to require the Municipal Accountant, in coordination with the Property Officer and other officials concerned, to gather all the details and information needed to determine the particulars/specifications of each item recorded in the RPIs and to take up the necessary journal entries to recognize the public infrastructure assets in the books; and (4) to conduct investigation to establish whether or not negligence of accountable officers occurred and to direct the accountable officers to submit the lacking supporting documents to their request for relief from accountability.

The Audit Team has communicated the observations and recommendations with the Auditee through the issuance of Audit Observation Memorandum (AOM) and discussed them with agency officials during the exit conference conducted on June 29, 2020, and the latter's comments are incorporated in the report, where appropriate.

The following are the significant observations together with the corresponding recommendations:

1. Fund transfers received from national government agencies (NGAs) totaling ₱6.331 million remained unliquidated despite completion of projects, resulting in the overstatement of Due to NGAs account and understatement of corresponding expenses and/or PPE accounts.

We recommended and Management agreed to require the liquidation of fund transfers once projects are fully implemented and/or refund the unutilized amount from completed projects and subsequently require for the appropriate recording in the books of accounts.

2. The Municipality was unable to implement 30 per cent or ₱2.925 million of the appropriated infrastructure projects under the 20% Local Development Fund for CY 2019 due to lack of proper planning, thus, the opportunity of the residents/beneficiaries of timely benefits from the projects had been lost.

We recommended and Management agreed to strategically implement its developmental projects within the target period of accomplishment to ensure that the 20% of the IRA is optimally utilized in the prompt implementation of programs and projects to achieve the desirable socio-economic development as prescribed under DILG-DBM Joint Memorandum Circular 2017-1.

**5. SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

Particulars	Balances as of 01/01/2019	CY 2019		Balances as of 12/31/2019
		Issuance	Settlement	
Suspensions	₱ 17,558.00	₱ 0.00	₱ 17,558.00	₱ 0.00
Disallowances	0.00	0.00	0.00	0.00
Charges	0.00	0.00	0.00	0.00
Totals	₱ 17,558.00	₱ 0.00	₱ 17,558.00	₱ 0.00

**6. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 25 prior years' audit recommendations contained in previous Annual Audit Reports, thirteen (13) were fully implemented, six (6) were partially implemented, and six (6) was not implemented by the auditee as of December 31, 2019.