

# EXECUTIVE SUMMARY

## A. INTRODUCTION

The Municipality of Sagñay, Camarines Sur derives its mandate from Republic Act No. 7160 otherwise known the Local Government Code of 1991. It is located 54 kilometers east of Naga City and 502 kilometers south of Manila and has a land area of 11,819 hectares. It is a 4<sup>th</sup> class municipality with nineteen (19) barangays under its mantle.

The Municipality, like any other local government units enjoys total autonomy in managing, deciding, and planning its own administrative, fiscal and development affairs in conformity with the national government’s thrust for sustainable social and economic growth.

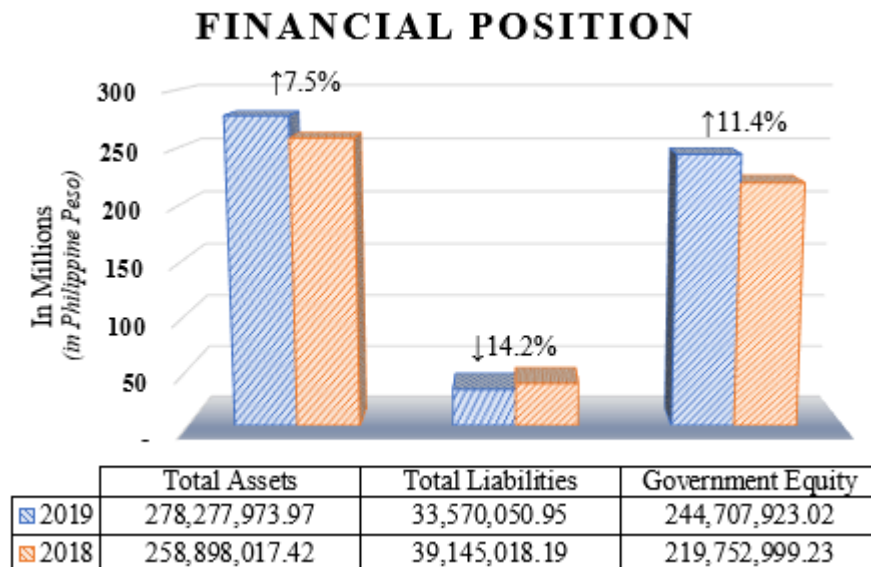
### Audit Methodology and Scope of Audit

The Financial, Compliance and Value for Money (VFM) audits conducted covered the accounts and operations of the Municipality of Sagñay for all Funds for the period from January 1 to December 31, 2019.

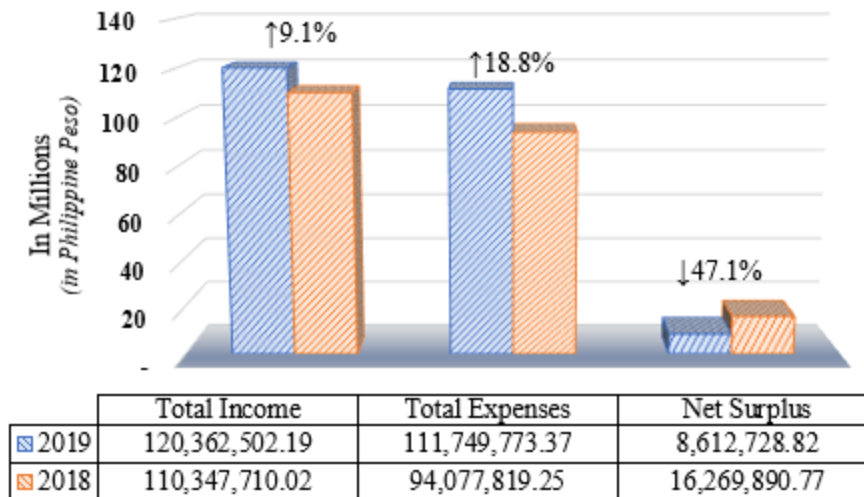
The audit was focused on the different audit thrusts/areas required by the Local Government Sector of the Commission.

## B. FINANCIAL HIGHLIGHTS

### B.1 Financial Position and Performance



## FINANCIAL PERFORMANCE



In the comparative figures of the municipality's Financial Position in the previous page, the Total Assets and Government Equity both increased by ₱ 19.379 million (7.5%) and ₱24.954 million (11.4%), respectively; while the Total Liabilities decreased by ₱5.574 million or 14.2% from previous year's balance.

On the other hand, review of the agency's Financial Performance showed increase in the two components: Income and Expense. While their total income improved by ₱10.014 million or 9.1% from last year's revenues, the total expenses incurred by the municipality climbed by ₱17.671 million or 18.8%. Ultimately, net surplus for the period significantly declined by ₱7.657 million or 47.1%.

### B.2 Sources and Application of Funds

Particulars	In Philippine Peso			% of Increase (Decrease)
	2019	2018	Increase/ (Decrease)	
<b>General Fund</b>				
Allotments	137,960,188.64	123,852,879.90	14,107,308.74	11.39
Obligations	118,230,064.35	98,580,582.44	19,649,481.91	19.93
Balance	19,730,124.29	25,272,297.46	-5,542,173.17	-21.92
<b>SEF</b>				
Allotments	432,000.00	647,597.26	-215,597.26	-33.29
Obligations	415,957.56	548,958.94	-133,001.38	-24.22
Balance	16,042.44	98,638.32	-82,595.88	-83.73

### **B.3 Major Programs/Projects/Activities undertaken in CY 2018**

The following are the reported major programs and projects implemented by the Municipality during the year totaling ₱16,939,212.14:

<b>Program/Project/Activity</b>	<b>Amount (₱)</b>
1. Local Access Road at Barangay Tinorongan	5,314,000.00
2. Local Access Road at barangay Kilomaon	2,591,249.00
3. Construction Barangary of Barangay Road	4,044,059.20
4. Local Bridge Rehabilitation	4,989,903.94
<b>Total</b>	<b>16,939,212.14</b>

Due to lack of time, the Audit Team was only able to validate the existence of four (4) of these projects.

### **C. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality because the accuracy and reliability of the recorded Road Network account amounting to ₱42.450 million as of December 31, 2019 cannot be ascertained due to the absence of required inventory reports. The inadequacy and unavailability of records pertaining to property, plant and equipment precluded the auditors from performing alternative audit procedures necessary to establish the correctness and accuracy of the year-end balances of said accounts.

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

For the exceptions cited, we recommended that Management require the:

- Municipal Treasurer to: 1) prepare a Report on Local Road Network; 2) maintain local road inventory and road map; and 3) maintain property cards for all roads and its components;
- Municipal Accountant to: 1) maintain subsidiary ledger cards for roads and road components for every road network; 2) prepare lapsing schedule showing the computation of the depreciation of each component of the Road Network System account; and
- Municipal Engineer to provide the Municipal Treasurer and Municipal Accountant with the complete description and cost segregation of road components for road projects.

The Audit Team has communicated the observations and recommendations with the Auditee through the issuance of Audit Observation Memorandum (AOM) and

discussed them with the 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. Transactions amounting to ₱0.954 million were obligated and recorded as liabilities without complete supporting documents to prove their validity.

We recommended that Management direct the Municipal Accountant to review the validity and propriety of the Accounts Payable and Due To Officers and Employees accounts amounting to ₱954,918.32.

We also recommended that Management require the Municipal Accountant to refrain from recording obligations for purchases of goods that are not yet delivered/accepted at record date and/or without complete documentation

2. Fund transfers from National Government Agencies (NGAs) granted one year ago or earlier years remained unimplemented and/or ongoing in the respective amount of ₱0.710 and ₱4.196 million, while seven (7) completed projects with unused balances of ₱374,920.62 remained dormant in the books pending refund to the source agencies.

We recommended that Management direct the prompt and full implementation of all projects whose funds were granted by the national agencies to effectively and timely extend to the constituents the benefits of the projects

3. Three (3) programs/projects/activities amounting to ₱3.440 million were charged against the 20% Development Fund (DF) contrary to DILG-DBM JMC Nos. 2017-1 thus compromised other possible projects that could have been implemented.

We recommended that Management particularly plan and execute programs, projects and activities in accord with the priority PPA enumerated in Item 3.0 DILG No. 2017-1.

4. No Real Property Tax (RPT) and Special Education Tax (SET) Receivables were set up at the beginning of the year, contrary to Section 20 of the Manual of the New Government Accounting System (NGAS), Volume I. Furthermore, Consolidated Financial Statements disclosed zero balances of the said accounts as of December 31, 2019 despite the existence of the delinquency in the collections of the taxes, thus, understating the said accounts of approximately ₱4.522 million and ₱4.264 million, respectively.

We recommended that the Management:

- (a) require the Municipal Accountant to effect necessary journal entries to adjust the balances of RPT and SET Receivables as well as their contra accounts, based from the report or list furnished by the Municipal Treasurer for CYs 2017-2020; and
- (b) direct the Municipal Treasurer to intensify collection of outstanding RPT and SET receivables through close coordination with barangay officials

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

PARTICULARS	Balances as of 01/01/2019 (₱)	CY 2019 (₱)		Balances as of 12/31/19 (₱)
		Issued	Settled	
Notice of Suspensions	0.00	0.00	0.00	0.00
Notice of Disallowances	0.00	0.00	0.00	0.00
Notice of Charges	0.00	0.00	0.00	0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**E. STATUS OF IMPLEMENTATION BY THE MUNICIPALITY OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 23 audit recommendations embodied in the previous years' audit report, twelve (12) were fully implemented, seven (7) were partially implemented and four (4) was not implemented as of December 31, 2019.