

EXECUTIVE SUMMARY

Introduction

The Local Government Unit of Lope de Vega, Northern Samar, is a fourth class municipality created on January 10, 1981, by virtue of the approval of Batas Pambansa Bilang 69. It is bounded on the north by the capital town of Catarman, on the northeast by the Municipality of Mondragon, on the south by Calbayog City and on the southeast by the Municipality of Bobon. The Municipality has a total land area of 280 sq. kms and its present population is 14,895. It is composed of 22 barangays and farming is the major source of livelihood of the populace.

Municipal Mayor Ana T. Palloc, heads the Municipal Government and controls the overall supervision, direction and implementation of the affairs of the local government unit (LGU). The Sangguniang Bayan (SB) is headed by the Municipal Vice Mayor Bobby C. Saludario and the eight Sanggunian Bayan members, the Association of Barangay Captains' President, and the SK Federation President.

As of December 31, 2021, the plantilla items of the LGU totaled to 96, of which 75 were filled up. In addition, 25 were employed as casual employees, and 4 contractual personnel.

Audit Scope

A financial, compliance and performance audit was conducted on the accounts and operations of the Municipality of Lope de Vega, Northern Samar (LGU) for the calendar year 2021, with emphasis on the audit thrusts provided for the Local Government Units, such as: cash; inventories; property, plant and equipment accounts; the receipt, allocation and utilization of COVID-19 funds; and the allocation and utilization of the 20% Development Fund (DF) and Local Disaster Risk Reduction Management Fund (LDRRMF), among others.

Audit Objectives and Methodology

The audit was conducted in accordance with the International Public Sector Accounting Standards on Auditing and aimed to obtain reasonable assurance about whether the financial statements are free from material misstatements. It was also undertaken to determine the propriety of financial transactions, the accuracy of financial records and reports as well as the LGU's compliance with prescribed rules and regulations on government financial transactions, and to determine whether programs, as envisioned, were attained in economical, efficient and effective manner.

The audit consisted of post-audit of transactions, review of operating procedures, interview with concerned officials and employees, verification and analysis of accounts, and such other procedures considered necessary under the circumstances. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Financial Highlights

The financial position and financial performance of the municipality for the current and previous year are presented below:

Account	2021	2020	Increase (Decrease)	
			Amount	Percentage
Assets	₱ 247,234,691.03	₱ 223,151,149.43	₱24,083,541.60	10.79
Liabilities	39,902,857.51	42,795,608.79	(2,892,751.28)	(6.76)
Equity	207,331,833.52	180,355,540.65	26,976,292.87	14.96
Income	127,145,490.00	158,719,525.91	(31,574,035.91)	(19.89)
Expenses	90,078,707.51	130,520,322.50	(40,441,614.99)	(30.98)

Appropriations and Expenditures

Appropriations

Total appropriations for calendar year 2021 amounted to ₱126,092,079.84, a decrease of ₱1,601,513.66 or 1.25% from last year's appropriations of ₱127,693,593.50. The table shows the breakdown, with comparative figures for 2020.

Allotment Class	CY 2021	CY 2020	Increase (Decrease)	
			Amount	Percent
Personal Services	₱59,545,907.20	₱53,496,999.10	₱6,048,908.10	11.30
MOOE	36,948,113.88	43,053,355.60	(6,105,241.72)	(14.18)
Capital Outlay	29,598,058.76	31,143,238.80	(1,545,180.04)	(4.96)
Financial Expenses	0.00	0.00	0.00	-
Total	₱126,092,079.84	₱127,693,593.50	(₱1,601,513.66)	(1.25)

Expenditures

Expenditures incurred from current appropriations amounted to ₱97,875,634.51. There was an increase of ₱10,348,513.59 or 11.82% from last year, shown as follows:

Allotment Class	CY 2021	CY 2020	Increase (Decrease)	
			Amount	Percent
Personal Services	₱52,311,855.68	₱49,124,677.52	₱ 3,187,178.16	6.48
MOOE	27,110,682.34	29,802,316.36	(2,691,634.02)	(9.03)
Capital Outlay	18,453,096.49	8,600,127.04	9,852,969.45	100.14
Financial Expenses	0.00	0.00	0.00	-
TOTAL	₱97,875,634.51	₱87,527,120.92	₱10,348,513.59	11.82

Independent Auditor's Report

The Auditor rendered a qualified opinion on the combined financial statements of the Municipality of Lope de Vega, Northern Samar for the year ended December 31, 2021 due to the exceptions as stated in the Independent Auditor's Report and as discussed in Part II of the report.

Summary of Significant Observations and Recommendations:

1. The Municipal Accountant's prompt submission of a revised Financial Statements reflecting the six out of ten correcting entries on misstatements of certain accounts, in compliance with the Audit Observation Memorandum issued and Summary of Proposed Audit Adjustments resulted in the fair presentation of the affected accounts in the financial statements as at December 31, 2021 pursuant to the International Public Sector Accounting Standards (IPSAS) 1.

We commended the Municipal Accountant for preparing promptly the six correcting entries in compliance with the Proposed Audit Adjustments and were duly effected on the revised financial statements as at December 31, 2021 as presented in this report.

2. The accuracy of Infrastructure Assets- Local Road Networks account balance of ₱36,136,257.46 (net book value) could not be relied upon due to: a) the absence of Report on the Physical Count of Local Road Network (RPCLRN) to support the recorded balance; b) the balance is not supported with property ledger cards and property cards; and c) non-preparation of lapsing schedule for the depreciation of each component of Local Road Networks contrary to pertinent provisions of COA Circular No. 2015-008 dated November 23, 2015.

We recommended the following courses of action:

a) The Municipal Engineering Office:

- **Provide the Municipal Accountant and the General Services Officer with the complete description and cost segregation of road component for road projects; as well as the report on the repair/maintenance of each local road network;**

b) The Municipal Treasurer/Inventory Committee

- **Conduct a Physical Count of the Road Network (RPCLRN) and submit the corresponding report thereon.**
- **Maintain the Local Road Network Property Cards for each roads and local road network;**

c) **The Municipal Accountant**

- **Reconcile the report from the Office of the Municipal Engineer and the accounting records and prepare the necessary adjusting entry for the discrepancies. Prepare the adjusting entry to correct the error committed,**
 - **Maintain subsidiary records for road and road components.**
 - **Prepare lapsing schedule for the depreciation of the depreciable components of the Local Road Network.**
3. Inventories of ₱5,779,772.62 were charged to expense without Summary and Supplies and Materials Issued (SSMI), Requisition and Issue Slips (RISs) and other supporting documents, contrary to Chapter 7, Volume 1 of the Manual on the New Government Accounting System for LGUs, hence the use, consumption, or distribution of inventories to end-users were not ascertained.

We recommended that the Municipal Mayor require the:

(1) Supply Officer to-

- a. **Demand and impose the submission of the RIS and other supporting documents necessary to support the use, consumption, or distribution of inventories of ₱5,779,772.62 from the offices concerned; and**
- b. **Conduct weekly consolidation of RIS through the preparation of the SSMI to be submitted to the Municipal Accountant for the appropriate recording.**

(2) Municipal Accountant, to recognize the inventories issued and utilized.

4. Disclosures of Inventories of ₱1,578,951.06 and Property, Plant and Equipment (PPE) of ₱143,748,619.13 in the Notes to Financial Statements were incomplete, contrary to International Public Sector Accounting Standards (IPSAS) 12 and 17, thus, affecting the fair presentation of the pertinent accounts and depriving the end-users and stakeholders a complete and detailed information of each account in the financial statements.

We recommended that the Municipal Mayor require the Municipal Accountant to provide adequate disclosures of Inventories and PPEs in consonance to IPSAS 12 and 17, respectively.

5. The Municipality accepted and made payments to several contractors for the twelve reported 100% completed projects totaling to ₱23,790,005.59 for CY

2021 without the necessary As-Built Plans contrary to Annex C.8 of COA Circular No. 2009-001 dated February 12, 2009, thus, resulting to failure to bind the contractor to the infrastructure contract in case of structural defects and deviations from the revised plans/drawings and specifications.

We recommended that the Municipal Mayor oblige the contractors concerned to prepare and submit the approved As-Built-Plan. We further recommend that henceforth the approved as-built-plan be attached to the claim prior to final payment and acceptance of the completed project.

Statement of Audit Suspensions, Disallowances and Charges

The total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality as of December 31, 2021 is ₱4,963,629.51, ₱0.00 and ₱0.00, respectively, based on the Notices of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by this Commission.

Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Of the sixty (60) audit recommendations embodied in the CY 2020 Annual Audit Report, thirty six (36) were implemented and twenty four (24) were not implemented.