

EXECUTIVE SUMMARY

Introduction

The Municipality of Calbiga is a 4th class municipality in the Province of Samar and consists of forty-one (41) barangays. The Municipality has a total population of 17,842 and it occupies a total land area of 28,370 hectares. It is located forty-seven (47) kilometers southwest of the provincial capital of Catbalogan City.

When the Jesuits established missions in the island of Samar in 1696, Calbiga was served as a visita by the Jesuit resident mission in Umuas. In 1768, the Franciscans took over the administration of Samar and. Soon after, in 1771, Calbiga was established as a parish appointing Fray Miguel Rico (de Jesus), O.F.M. as the first cura paroco for lack of missionaries. Umuas was joined to Calbiga until separated by a decree on March 12, 1863.

Calbiga is known for its encompassing and immense, Langun-Gobingob Caves (more popularly known as Calbiga Cave) which is the largest cave system in the Philippines. It is reputed to be the second largest in Asia and the world's third largest karst formation, measuring 7 km. long with an area of 900 square kilometres.

Currently, the municipal office of Calbiga has fourteen (14) departments and a legislative department and is composed of ninety-one (91) regular employees, excluding the elected officials, and 332 contractual employees assigned in the different departments.

The municipality is under the leadership of Honorable Melchor F. Nacario with Honorable Vice Mayor Eva L. Castillo, presiding over the Sangguniang Bayan which is composed of ten (10) members that includes seven (8) regular members, one President of the Liga ng mga Barangay and one President of the Sangguniang Kabataan.

An audit was conducted on the accounts and operations of the Municipality for CY 2021 in accordance with International Public Sector Standards on Auditing with emphasis on the audit thrusts for the Local Government Sector on the audit of Financial Statements of the following accounts - Cash and Cash Equivalents, Other Receivables; Property, Plant and Equipment; and Other Significant and Material accounts identified in the Materiality Thresholds.

To determine the extent of implementation of the programs and projects, compliance with the budget/allocation, procurement regulations, terms and conditions, we likewise conducted a compliance audit on the following:

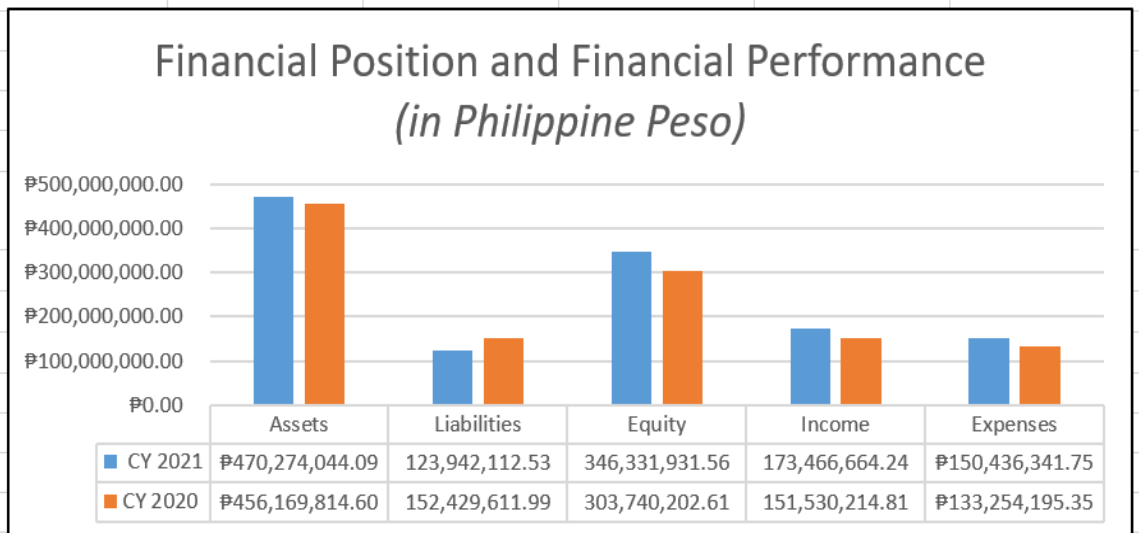
1. COVID-19 fund receipt, allocation and utilization
2. Utilization of 20% Development Fund
3. Utilization of LDRRMF

The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management; verification, reconciliation and analysis of financial accounts; as well as evaluating the overall presentation of the financial statements. It also involved interview with officials/employees concerned; and other audit procedures and techniques considered necessary under the circumstances.

Financial Highlights

Comparative analysis of the Municipality’s total assets, liabilities, equity, income and expenses for CY 2021 and the immediately preceding year showed an increase of the Assets, Equity, Income and Expenses; and decrease of the Liabilities, as shown in the graphical presentation.

The material increase in assets and equity account is due to the increase in share from Internal Revenue Collections (IRA) while a significant increase in operating expenses is due to the increase and payment of Productivity Incentives Allowance, Hazard Pay, Other Bonuses and Allowances, Retirement and Life Insurance Premiums, Terminal Leave Benefits, Traveling expenses. Meanwhile, the significant decrease in liabilities is due to the unimplemented PPAs.



Expenditures incurred out of current appropriations, amounted to ₱134,801,100.61, while those of last year amounted to ₱122,210,984.27 showing an increase of ₱12,590,116.34 or 10.3% as follows:

Allotment Class	CY 2021	CY 2020	Increase (Decrease)	
			Amount	Percent

Personal Services	₱60,438,480.25	₱56,174,694.61	₱4,263,785.64	7.59%
MOOE	46,168,722.06	45,397,672.00	771,050.06	1.70%
Capital Outlay	25,681,342.82	16,099,417.34	9,581,925.48	59.52%
Financial Expenses	2,512,555.48	4,539,200.32	(2,026,644.84)	-44.65%
Total	₱134,801,100.61	₱122,210,984.27	₱12,590,116.34	10.30%

Significant Accomplishments of the City Government

The significant PPAs accomplished by the Municipality of Calbiga in CY 2021 were reported and certified complete by the management, as follows:

1. Potable Water System Expansion (Phase I) - Brgy Bacayaran - Tinago - Malabal - Rawis - Patong - Barobaybay – Pasigay
2. Construction of Civic Center (Phase II) - Brgy I, Calbiga, Samar
3. Municipality - Barangay Cost Sharing Programs for Street Lights, Pathways, Teen Center, Drainage Canal and Other Projects
4. Concreting of Various Roads Section / Construction of Municipal Roads and Pathways Brgy. Polangi- Macaalan - Borong FMR Section Calbiga, Samar

Independent Auditor's Report on the Financial Statements and Compliance Audit

The Auditor rendered a qualified opinion on the combined financial statements of the Municipality of Calbiga 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

The significant observations and the corresponding recommendations for the CY 2021 audit of the Municipality's accounts and operations are as follows:

1. The failure to adjust the reconciling item amounting to ₱3,129.06; non submission of the bank account statement; and the non-preparation of bank reconciliation statements, not adherent to Section 59 NGAS Manual for Local Government Units and pertinent provisions in Presidential Decree (P.D.) No. 1445 and COA Circular No. 96-011, cast doubts on the existence and reliability of the cash in bank account.

We recommended and management agreed, that the Local Chief Executive require the Municipal Accountant to:

- a. **Immediately submit the bank-required documents to facilitate the transfer/update PPSB account in the LBP;**
 - b. **Draw a JEV to record the adjustments in the books for the cancelled check totaling ₱3,129.06; and**
 - c. **Secure copies of the bank statements, prepare and submit to the Audit Team the lacking BRS for existing bank accounts.**
2. Other Receivables - Due from Other Officers and Employees account of ₱1,256,821.82, which remained outstanding for more than 15 years, was not fairly presented at its net realizable value as of December 31, 2021 due to non- recognition of impairment for the receivables, contrary to the International Public Accounting Standards (IPSAS) 1 and COA Circular No. 2016-005 dated December 19, 2016, thus affecting the fair presentation of this account in the financial statements.

We recommended, and management agreed, that the LCE:

- a. **Instruct the Accounting Unit to prepare an entry to set up the provision for Allowance for Impairment of the long outstanding receivables;**
 - b. **Exhaust all efforts to collect the long outstanding receivables; and**
 - c. **File the request for authority to write-off dormant receivable accounts and the necessary supporting documents, if applicable.**
3. The reported balance of Property, Plant and Equipment (PPE) account totaling ₱352,126,898.55, net of Accumulated Depreciation, as of December 31, 2021 remain unreliable due to the failure of the LGU to seize the opportunity to avail of the onetime cleansing of affected accounts provided for in COA Circular No. 2020-006 dated January 31, 2020, specifically on the conduct of mandatory physical count. Likewise Items are recorded as PPE despite not meeting the capitalization threshold provided in Section 4 of COA Circular No. 2020-006 thus, overstating the asset accounts by ₱294,272.42.

We recommended and management agreed, that the LCE:

- a. **Create an Inventory Committee with adequate number of members and representatives from the Accounting and Property Division/Unit;**
- b. **Instruct the Inventory Committee to:**
 - b.1 **prioritize the completion of physical count of PPEs; and**
 - b.2 **prepare the RPCPPE, reconcile the same with the Property Division/Unit and Accounting Unit records;**

- c. Instruct the Accounting Unit to:**
 - c.1 prepare the necessary correcting entry to adjust the erroneous booking of PPE accounts totaling ₱294,272.42, net of Accumulated Depreciation, into its corresponding equity account; and**
 - c.2 prepare the necessary adjusting entries, if any, pursuant to COA Circular No. 2020-006 for the one time cleansing of the Property records.**
- 4. The Unexpended 30% Quick Response Fund and the 70% Mitigation Fund of CY 2021 LDRRMF totaling ₱1,480,087.67 were not transferred to the Special Trust Fund, contrary to COA Circular Nos. 2012-002 and 2015-009, thus, Trust Liabilities and Expense accounts were understated and the funds are at risk of being used for purposes other than disaster preparedness activities.

We recommended and management agreed, that the LCE require the Municipal Accountant prepare the Disbursement Voucher and other necessary supporting documents to transfer from the General Fund to Special Trust Fund, using the correct accounts, the total unused CY 2021 QRF and MF-MOOE, and to make such transfer in the succeeding years prior to the closing of the books.

- 5. Payment to the Municipality's permanent and contractual personnel of COVID-19 Special Risk Allowance (SRA) for the covering period September 15 2020 to June 25, 2021 aggregating ₱720,681.75 and Active Hazard Duty Pay (AHDP) for the covering period September 15 to December 2020 aggregating ₱407,862.71, were not supported with complete documents contrary to Section 4 item 6 of Presidential Decree (PD) No. 1445 and Section 4 item h of Republic Act (RA) No. 11494, casting doubts on the validity and regularity of the payments. Likewise, the amount paid for SRA and AHDP were erroneously recorded as Other Bonuses and Allowances instead of Other Personnel Benefits and Other Maintenance and Operating Expenses (MOOE) for payments to regular employees and contractual employees, contrary to International Public Standards Accounting Sector (IPSAS) 1 and COA Circular No. 2015-009, affecting the fair presentation of the financial statements

We recommended and management agreed, that the LCE require:

- a. The concerned MHO personnel to submit immediately to the audit team, thru the Accountant, the following documents to establish their claim to SRAs under AO Nos. 36 and 42:**
 - a.1 Authority for the entitlement of the allowance/ office order/ authority to report for work;**
 - a.2 Daily Time Records with Biometric printouts/copies of logbook or Certificate of Attendance in the COVID Facility/Center by their immediate supervisor during the period of claims;**

- a.3 **Accomplishment reports indicating the number of COVID patients attended to in a day;**
 - a.4 **For health workers not directly catering COVID-19 patients, an explanation as to the scientific basis for the premise that healthcare workers not directly catering to COVID-19 patients are equally exposed to COVID-19 and can be considered “in contact with COVID-19 patients”, and thus should be given the SRA**
 - b. **The Municipal Accountant to carefully review the recording of the Municipality’s transactions on the payments of SRA to permanent and contractual employees, to avoid reporting inaccurate information.**
6. Out of eleven proposed Project/ Program/ Activities (PPAs) under the 20% Development Fund (DF) 2021 with total appropriation of ₱28,242,003.80, only three were completed in CY 2021, while eight are still on-going as of year end, with total disbursements amounted to only ₱17,766,979.72 or 63% fund utilization rate, and four PPAs with an aggregate amount of ₱8,299,476.57 remained unimplemented as of December 31, 2021, thus, the desired socio-economic development and environmental outcomes of the Municipality were not fully attained.

We recommended and management agreed, that the LCE:

- a. **Ensure the immediate implementation of the PPAs funded under the 20% Development Fund;**
- b. **Submit justification on the delay in the implementation and the non-implementation of the PPAs; and**
- c. **Require the MPDC to review developmental projects that are feasible for implementation and ensure that the PPAs are well-planned and procurement and implementation-ready.**

Summary of Audit Suspensions, Disallowance and Charges

The total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality as of December 31, 2021 amounted to ₱56,979,979.79 based on the Notice of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by this Commission.

Status of Implementation of Prior Year’s Unimplemented Audit Recommendations

Of the 48 audit recommendations embodied in CY 2020 and prior year’s Annual Audit Reports, 18 were implemented and 30 were not acted upon by management.