

## EXECUTIVE SUMMARY

### A. Introduction

The Local Government Academy, the training arm of the Department of the Interior and Local Government, was created by virtue of Section 14, Executive Order No. 262. Under Section 13 of the Implementing Rules and Regulations of the DILG Act of 1990 (RA 6975), the Academy shall be responsible for human resource development and training of local government officials and personnel for the Department proper and the local government bureaus including regional field offices.

#### Functions:

The functions of the LGA are as follows:

- Formulates policies and standards on local government capacity development;
- Coordinates National Government Agencies' capacity development;
- Knowledge management for Local Governance and Development;
- Establishes mechanisms for delivery of capacity development services;
- Performs other functions as may be directed by the Secretary, DILG

The LGA is under the direct supervision of the Secretary of the DILG. The Academy is headed by Executive Director Thelma T. Vecina, CESO IV, and assisted by Assistant Director Esmeralda Daphne N. Purnell, CESE. As of December 31, 2019, the Academy's personnel complement totaled to 97, consisting of 53 regular and 44 contractual employees.

#### Major Accomplishments

The LGA reported the following accomplishments for the year:

MFO 1: Capacity Development Services for Local Government Units (LGUs) and DILG Local Government Personnel

Program	Performance Indicator	Target	Actual
Capacity Development Program for Local Government Units and Department Personnel	Number of persons trained: LGUs	16,930 persons	18,966 persons 112.03%
	DILG	2,146 persons	4,611 persons 214.86%
	Percentage of training days commenced according to initial training schedule	85%	87%

Program	Performance Indicator	Target	Actual
	Percentage of training course attendees that rate the training as satisfactory or better:		
	a) LGUs	94%	96%
	b) DILG	96%	97%

The programs conducted based on five outcome areas of MFO1 identified by the Department are presented in Annex A.

## B. Financial Highlights

The Academy's financial position, financial performance and sources and applications of funds for CY 2019 with comparative figures for CY 2018 are presented below:

	2019	2018 As restated	Increase/ (Decrease)
<b>Financial Position</b>			
Assets	₱193,007,364.52	₱180,714,775.68	₱12,292,588.84
Liabilities	75,482,710.16	131,619,970.51	(56,137,260.35)
Net Assets/Equity	117,524,654.36	49,094,805.17	68,429,849.19
<b>Financial Performance</b>			
Total Revenue	365,190.28	51,430.55	313,759.73
Total Current Operating Expenses	201,109,421.99	297,939,940.12	(96,830,518.13)
Surplus (Deficit)	(200,744,231.71)	(297,888,509.59)	97,144,277.88
Net Financial Assistance/ Subsidy	269,174,080.90	306,400,175.20	(37,226,094.30)
Sale of Assets			
Gains	-	48,746.78	(48,746.78)
Losses	-	(118,006.24)	118,006.24
Surplus for the Period	68,429,849.19	8,442,406.17	59,987,443.02
<b>Sources and Application of Funds</b>			
Total Allotments	265,250,410.20	313,966,702.00	(48,716,291.80)
Total Obligations	260,109,161.12	310,837,545.32	(50,728,384.20)
Balance	₱5,141,249.08	₱3,129,156.68	₱2,012,092.40

The Statement of Allotments, Obligations and Balances as of December 31, 2019 is shown in Annex B.

### **C. Scope of Audit**

The audit covered the financial transactions and operations of the LGA for CY 2019.

### **D. Independent Auditor's Report**

The auditor rendered an unmodified opinion on the fairness of presentation of the financial statement of LGA as of December 31, 2019.

### **E. Summary of Observation and Recommendations**

1. Stale checks totaling ₱303,757.73 were not adjusted/recorded in the books as of December 31, 2019 which is inconsistent with Chapter 6, Section 44 of the GAM Volume 1 resulting in the understatement of both Cash in-Bank and Accounts Payable accounts by the same amount. (*Observation No. 1*)

We recommended that Management require the Accountant to immediately effect the necessary adjusting entries to reflect the correct balances of the accounts affected.

2. The balance of the Inventory accounts amounting to ₱4,312,809.21 is unreliable due to: (a) recording of inventories totaling ₱76,309.66 as outright expense contrary to Chapter 8, Section 9 Volume I, (b) undocumented adjustments amounting to ₱885,504.72 as a result of reconciliation between the Supplies Ledger Card and Stock Card contrary to Chapter 3 Volume III of the Government Accounting Manual (GAM); and (c) non-maintenance of complete and updated Supplies Ledger Card (SLC) by the Accounting Division and Stock Card by the Property Division. (*Observation No. 2*)

We recommended that Management; a) require the Accounting Unit to maintain Supply Ledger Cards and Property Unit to update Stock Cards and reconcile their records regularly; b) require the Accounting Office to record regular purchases through the inventory accounts in accordance with Section 9, Chapter 8 Vol. I of the GAM and c) provide supporting documents for the adjusting entry made pursuant to Chapter 3 Vol 3 of GAM.

3. The balance of Property, Plant and Equipment totaling ₱49,058,018.88 is unreliable due to: a) misclassification of Semi-Expendable Machinery and Equipment included in the PPE account amounting to ₱6,072,964.67; b) non-provision of depreciation contrary to Chapter 10, Section 27 (1), 42 and Chapter 8 Sections 10 and 11 of the Government Accounting Manual (GAM) Volume I; and c) unreconciled balance between the balances per books and per Report on Physical Count of Property, Plant and Equipment (RPCPPE) amounting to ₱9,971,068.61. (*Observation No. 3*)

We recommended that Management; a) require the Accountant and the Supply/Property Officer to prepare SLs and PPELCs respectively, so as to reconcile their records on the PPE accounts periodically, in conformity with the provisions of Chapter 10 Section 42 of Government Accounting Manual (GAM) Volume I; and b) secure Insurance coverage with the GSIS pursuant to Section 10 of RA 656

We also recommended that Management require the Accountant to; a) draw Journal Entry voucher (JEV) to reclassify Semi-expendable property which were recognized as PPE; and b) provide depreciation for the PPE on a monthly basis

4. Additional funds amounting to ₱118,102,410.67 were transferred to implementing agencies for various programs/projects notwithstanding the balance of ₱50,862,403.29 which remained unliquidated from more than one to over three years resulted in accumulated receivable balance amounting to ₱136,738,545.91 from NGAs, LGUs, NGOs/PO at year end. The non-liquidation of the transferred funds cast doubts as to whether the Academy's resources are being used effectively and the projects' objective towards the delivery of the desired outputs are efficiently implemented. (*Observation No. 4*)

We recommended that Management make a strong representation from Secretary of the DILG for the immediate liquidation and/or refund of long time outstanding receivable balances not being used, otherwise strictly refrain from making additional fund transfers which contributes to the accumulation of the account unliquidated balance.

We also recommended that Management revisit the MOA with the IAs to ensure that timelines/completion date of every project funded by the fund transfer are clearly and specifically indicated therein; a) establish close communication with Implementing Agencies to be able to monitor and strictly enforce liquidation of the transferred funds pursuant to the provisions of items 4.6 and 4.9 of COA Circular No. 94-013 and the provisions of the Memorandum of Agreement (MOA); b) continue to issue demand letters to the IAs to submit their liquidation and require the return of unused funds especially for the long outstanding fund transfers; and c) coordinate with the Regional Office and LGUs and make the necessary adjustments on the outstanding fund transfers based on the results of the confirmation.

5. There is no unit in the Local Government Academy which is responsible in the evaluation of the Agency's efficiency and effectiveness in its operations, including risk management and internal control framework; hence, non-compliant with the provision of Republic Act No. 3456 as amended by Republic Act No. 4177 and Administrative Order No. 70, s. 2003. (*Observation No. 5*)

We recommended that Management submit an explanation on the Agency's non-compliance with AO No. 70 regarding the institution of Internal Audit Service.

The foregoing observations and recommendations were discussed with the management officials during the exit conference conducted on March 9, 2020. Management views and reactions were considered in the report, where appropriate.

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

Of the 18 recommendations embodied in the CY 2018 Annual Audit Report, nine were fully implemented while nine were not implemented.