

# EXECUTIVE SUMMARY

## INTRODUCTION

The Municipality of Danglas, Province of Abra was established in 1902. Danglas became a municipal district in 1921 and was raised to a regular municipality in 1973. It is classified as fifth class municipality and politically subdivided into seven (7) barangays.

The LGU is envisioned to be a progressive municipality with God-centered, peace-loving, empowered and disaster resilient community; guided by efficient leaders; and living in a safe and secured environment towards a sustained economic growth.

The Municipality of Danglas, Province of Abra is currently under the leadership of Mayor Denise Florence B. Bragas and is being assisted by Vice Mayor Esther B. Bernos, supported by 12 elected and appointed officials, 35 permanent employees, and 145 job orders and casual employees.

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Danglas for the year 2018. The audit included verification and analysis of accounts in the financial statements, review and evaluation of compliance with existing laws, rules and regulations and other procedures necessary under the circumstances.

## FINANCIAL HIGHLIGHTS

In its 2018 Annual Budget, the management estimated to generate revenue amounting to ₱60.348 million (distribution by type of revenues is shown in Figure 1), which was programmed under various sectors (distribution by sector is shown in Figure 2).

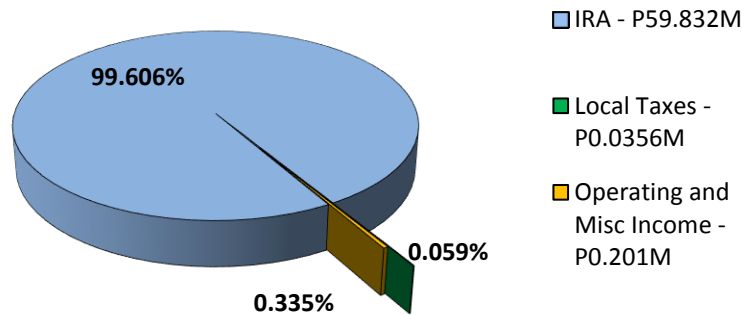
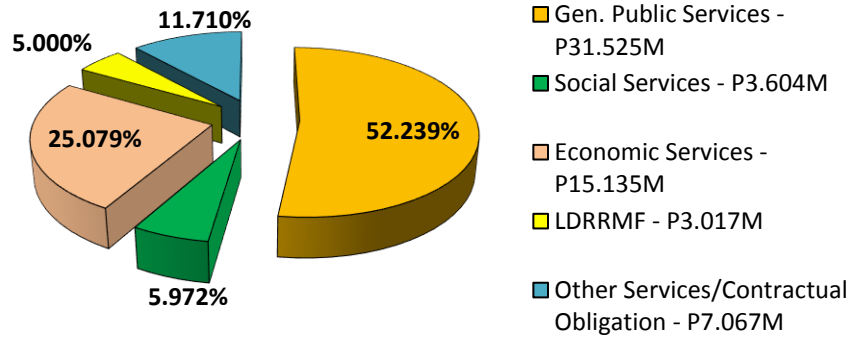


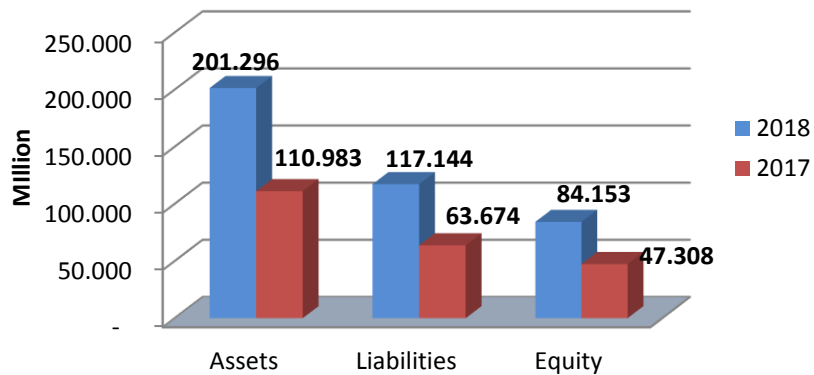
Figure 1: Distribution by Type of Revenue (Budget Year)



**Figure 2: Expenditure Program, Distribution by Sector (Budget Year)**

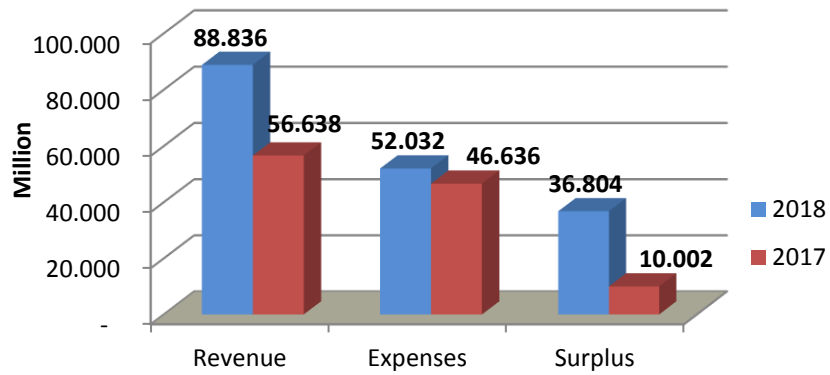
Also, two supplemental budgets totaling ₱33.661 million were approved by the Sangguniang Bayan, and ₱0.446 million was appropriated under the Local School Board Plan to finance the implementation of priority education projects of the Municipality.

As of December 31, 2018, total assets of the Municipality amounted to ₱201.296 million, an increase of ₱90.313 million compared to CY 2017 of ₱110.983 million. Total liabilities and total equity amounted to ₱117.144 million and ₱84.153 million, showing an increase of ₱53.470 million and ₱36.845 million, respectively, as compared to prior year's figure of ₱63.674 million and ₱47.308 million, respectively.



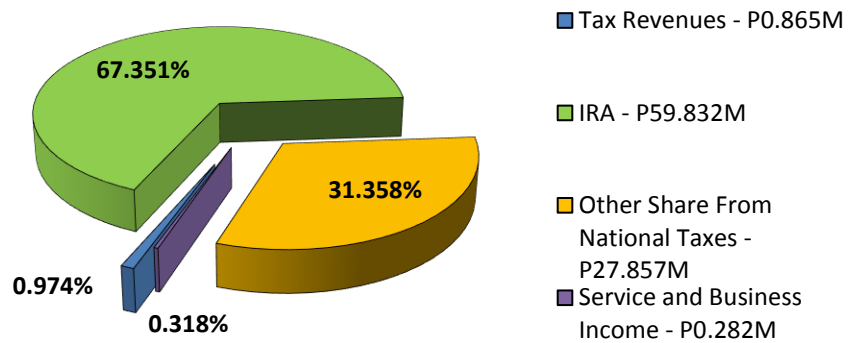
**Figure 3: Financial Position**

Surplus realized totalled ₱36.804 million, showing an increase of ₱26.802 million as compared to last year's figures of ₱10.002 million. Total revenues totalled ₱88.836 million, showing an increase of ₱32.198 million compared to last year's revenue of ₱56.638 million. Total expenses amounted to ₱52.032 million, showing an increase of ₱5.396 million compared to last year's figure of ₱46.636 million. Share from Tobacco Excise Tax received in CY 2018 amounted to ₱27.878 million; while no amount was received in CY 2017.

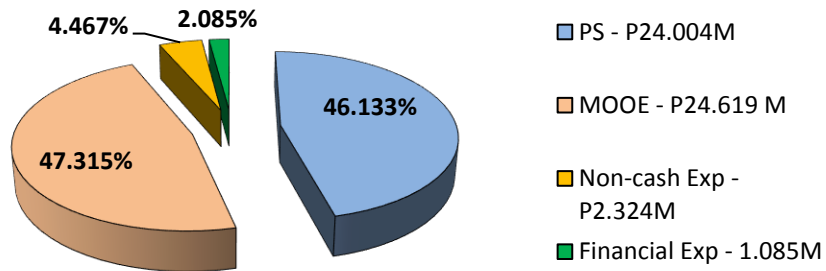


**Figure 4: Financial Performance**

The compositions of operating income and operating expenses for CY 2018 totalling ₱88.836 million and ₱52.032 million, respectively, are shown in the figures below:



**Figure 5: Composition of Operating Income**



**Figure 6: Composition of Operating Expenses**

Funds received in CY 2018 from the Provincial Government of Abra (PGA) and National Government Agencies, were as follows:

Source Agency	Amount
PGA – Construction of Infrastructure Projects (Receipts from Tobacco Excise Tax)	₱40,000,000.00
DILG – Assistance to Municipalities (AM) –Construction of Local Access Road and Construction of New Evacuation Center	8,958,815.00
DOLE – Tulong Panghanapbuhay sa Ating Displaced/Disadvantaged (TUPAD) Workers Program	700,350.00
DSWD – Supplementary Feeding Program	522,000.00
DOLE – Charcoal Briquetting	508,000.00
DENR – Construction of Materials Recovery Facility	435,000.00
DOH – Capitation Fund	140,500.00
<b>Total</b>	<b>₱51,264,665.00</b>

### OPERATIONAL HIGHLIGHTS

For the year 2018, it is worthy to note that the Municipality has completed the following major projects:

Fund Source	Project Description	Amount
PGA- RA 7171	Improvement /Rehabilitation of Road Located at Caupasan to Ababeng, Caupasan, Danglas	₱19,875,362.08
PGA- RA 7171	Improvement / Rehabilitation of Road located at Barangay Nagaparan (Binansagan), Danglas, Abra	19,879,971.95
20% Development Fund (DF)	Upgrading of Existing Road Resilient to Climate Design Standard located at Barangays Nagaparan Danglas and Abaquid, Danglas	2,671,030.00
20% DF and DENR	Construction of Materials Recycling Facility (MRF)	915,977.37
Municipal Share – RA 7171	Acquisition of Farm Implements and Farm Inputs	2,474,368.60
<b>Total</b>		<b>₱45,816,710.00</b>

The infrastructure projects are subject to inspection and evaluation by the Technical Audit Specialist of COA-CAR.

### OPINION IN THE AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS

We rendered a *qualified* opinion on the fairness of the presentation of the financial statements for reasons cited below:

1. *Construction in Progress (CIP)-Infrastructure Assets* account was overstated by ₱70,116,904.87 while the completed assets and *Advances to Contractors* accounts were understated by ₱69,227,254.14 and ₱889,650.73, respectively, due to: (a) non-closure of completed infrastructure projects worth ₱69,227,254.14 to their proper completed asset accounts; and (b) erroneous recording of 15% advance

payment totaling ₱889,650.73 as *CIP-Infrastructure Assets* account. Moreover, the balance of CIP accounts of ₱19,940,859.11 for year 2017 and beyond could not be ascertained due to non-maintenance of subsidiary ledgers.

2. *Due to NGAs* account was overstated by ₱40,000,000.00 while *Due to LGUs* account was understated by the same amount due to erroneous accounting of fund transfer received from Provincial Government of Abra (PGA).
3. The accuracy of reported balance of *Due to NGAs* account amounting to ₱54,786,364.93 could not be ascertained due to non-maintenance of subsidiary records; thus, its composition, and the respective cash back, related assets and payables for each fund transfer are difficult to determine.
4. The existence, completeness, validity and accuracy of Property, Plant and Equipment (PPE) with a net book value of ₱24,263,207.46 and the related provisions for depreciation could not be ascertained due to: (a) non-conduct of the annual physical count of PPE, (b) non-maintenance of PPE ledger and properly cards, and (c) non-maintenance of updated Acknowledgment Receipt for Equipment (ARE) or Property Acknowledgement Receipt (PAR).
5. Dormant Receivable accounts in the amount of ₱9,060,659.82 still exist in the books of the agency rendering the account balances doubtful.
6. Existence, valuation, condition and propriety of Road Networks in the amount of ₱6,670,408.36 could not be ascertained due to non-submission of the Report on the Physical Count of Local Road Networks, Road Map, Local Road Network Ledger Card and Local Road Network Property Cards.
7. Difference of ₱615,831.82 exists between year-end balances of the reciprocal accounts *Due from Other Funds* and *Due to Other Funds* and the details of the accounts were not disclosed in the Notes to the Financial Statements; thus, casting doubt on the correctness of balances.
8. *Other Prepayments* totaling ₱400,135.30 disclosed in the Notes to Financial Statements as comprised of *Other Current Assets* and *Other Assets* which were carried in the books for several years with unknown nature cast doubt as to the fairness of the presentation of the account in the financial statements.
9. The correctness and reliability of the submitted Statement of Comparison of Budget and Actual Amounts (SCBAA) could not be established due to non-preparation/non-maintenance of various budgetary reports.
10. The significant delays in the submission to the Commission on Audit of Working Trial Balances (WTB) and Journals, Year-end Financial Statements (FS), Official Receipts (OR) and Disbursement Vouchers(DV)/payrolls and their supporting documents ranging from 62 to 421 days, 34 to 276 days, 63 to 384 days,

respectively, precluded the timely examination of accounts, post-audit of transactions and the conduct of other necessary audit procedures. Also, the thirty-six (36) DVs/liquidations amounting to ₱4,978,977.04 and official receipts totaling ₱175,245.57 have not been submitted for audit.

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

The observations and recommendations are discussed in detail in Part II of this Report. These were discussed in an exit conference held on July 26, 2019 with concerned agency officials and staff and their comments were incorporated in the report, where appropriate. Other significant findings and recommendations that need immediate attention and action by the Management are as follows:

1. Payments aggregating ₱8,051,196.84 for work accomplishments costing ₱9,759,026.43 for the Construction/Rehabilitation of Road funded from ADM<sup>1</sup>; and ₱733,961.83 for mobilization worth ₱889,650.73 for the Construction of Local Access Roads funded from AM<sup>2</sup> were merely supported with Official Receipt (OR); moreover, covering contract documents totaling ₱19,655,176.71 were not submitted for audit; thus, casting doubt on the propriety and validity of the transactions and precluding the conduct of technical evaluation and inspection thereof.

We have recommended that –

- BAC Chairman submit the copies of the covering perfected contracts and supporting documents to COA for audit purposes. Henceforth, ensure the submission of perfected contracts within the prescribed five (5) working days from execution thereof pursuant to Item 3.1.1 of COA Circular No. 2009-001, for a systematic and effective review process to come up with timely and relevant audit results.
  - Municipal Accountant submit the lacking documents to support the validity of payments to COA for audit purposes. Henceforth, see to it that all disbursement vouchers involving payments of infrastructure projects be properly accompanied by the required documents and that such were duly accomplished in consonance with Item 4.6 of PD No. 1445, to establish the validity of the transactions. Attending payment of claims that are not sufficiently documented be discontinued.
2. Payments aggregating ₱40,307,535.71 for work accomplishments worth ₱48,857,619.03 on three (3) infrastructure projects funded from the receipts of Tobacco Excise Tax were simply accompanied by Official Receipt issued by the contractor and Certificate of Completion contrary to Section 4.6 of PD 1445,

---

<sup>1</sup> Assistance to Disadvantaged Municipalities Program under DILG, CY 2017

<sup>2</sup> Assistance to Municipalities Program under DILG, CY 2018

casting doubt on the propriety and validity of the transactions and precluding conduct of technical inspection thereof.

We have recommended that the Municipal Accountant

- submit the lacking documents to COA for audit purposes;
  - In the future, see to it that all disbursement vouchers involving infrastructure projects be properly accompanied by the required documents and that such were duly accomplished in consonance with Item 4.6 of PD No. 1445, to establish the validity of the transactions. Processing and payment of claims that are not sufficiently documented be discontinued
3. The technical and financial documents for seven contracts totaling ₱48,379,882.20 submitted by the bidder were not meticulously reviewed by the BAC and TWG as required under Sections 34.1 and 23.6 of the 2016 Revised IRR of RA 9184; hence, the contracts were awarded to bidder of doubtful qualification.

We have recommended that Management direct the BAC and TWG -

- submit written justification for the lapses noted in the evaluation of technical and financial requirements of the winning bidder; and
  - henceforth, ensure the validity and completeness of technical and financial documents submitted by the bidder/s. See to it that such are responsive to the requirements prescribed under the bidding documents, pertinent provisions of RA No. 9184 and its 2016 Revised IRR and other laws, rules and regulations.
  - require the BAC members to attend trainings on RA No. 9184 to familiarize themselves of the provisions of the law.
4. The project “*Maintenance/Improvement of Road located at Nagaparan to Sagao, Nagaparan, Danglas*” costing ₱588,411.00 was already paid on March 5, 2018, seven (7) days ahead before its intended start date on March 12, 2018; and five (5) days prior the reported completion date on March 10, 2018, in violation of Section 338 of RA No. 7160.

We have recommended that Management submit justification why the aforementioned project was paid before the intended start date of work and/or paid before it was completed. Henceforth, ensure that all projects are implemented/completed in accordance with plans and specifications before attending payments thereof as mandated by Section 338 of RA No. 7160.

## **SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES**

Unsettled suspensions and disallowances issued under the Revised Rules on the Settlement of Accounts as of December 31, 2018 amounted to ₱7,053,398.92 and ₱15,300.00, respectively.

## **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the sixty (60) audit recommendations in the CY 2017 and CY 2016 Annual Audit Reports, eight (8) were implemented, twenty-two (22) were partially implemented; while thirty (30) were not implemented or acted upon.