

EXECUTIVE SUMMARY

Introduction

The Municipality of Looc, Romblon was restored to its municipal status in 1946 by virtue of Republic Act No. 38, authored by then Congressman Modesto Formilleza. Looc is a fourth class municipality in the Province of Romblon. It has a populace of 21,799 based on the census as of May 2020.

The municipality envisions as a locality inhabited by God-loving and empowered citizens living in a peaceful, ecologically-balanced, and environmentally-protected tourist destination towards socio-economic development.

Financial Highlights

The municipal government generated a surplus of ₱14,988,659 for CY 2021, lower by ₱6,938,936 or by 31.64 percent compared with last year's surplus of ₱21,927,595. The Internal Revenue Allotment (IRA) of ₱109,953,338 represents 90.30 percent of the total income. Other major sources of income were local taxes, permits and licenses, service, and business income.

The total assets, liabilities, government equity, income and expenses for CY 2021 compared with that of the preceding year are as follows:

	<u>CY 2021</u>	<u>CY 2020</u>	<u>Increase/(Decrease)</u>
Total Assets	₱352,259,933	₱ 323,234,187	₱ 29,025,746
Total Liabilities	92,950,808	101,025,184	(8,074,376)
Total Equity	259,309,125	222,209,003	37,100,122
Total Income	121,761,536	114,673,544	7,087,992
Total Expenses	106,772,877	92,745,949	14,026,928

Scope of Audit

The Audit Team conducted financial and compliance audits on the accounts and operations of the Municipality of Looc, Romblon for CY 2021. The audit was aimed to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) evaluate the extent of compliance with laws and regulations as well as the propriety and validity of transactions; and (c) determine the extent of implementation of prior years' audit recommendations.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Looc, Romblon due to the following:

1. The accounts Agricultural Produce for Distribution, Drugs and Medicines Inventory, and Agricultural and Marine Supplies Inventory were carried at ₱965,965; ₱4,993,178; and ₱1,758,900; respectively, as at December 31, 2021. However, the said accounts were overstated by the same amounts for being inexistent since these items had already been issued or distributed to its intended users or recipients many years ago thus, constituted a departure from Paragraph 44 of International Public Sector Accounting Standards (IPSAS) 12 – *Inventories*.
2. The accounts Hospitals and Health Centers and Markets were carried at cost of ₱5,500,048 and ₱5,003,521, respectively, as at December 31, 2021. However, the said accounts were overstated by ₱283,908 and ₱4,604,561, respectively, for being inexistent since the affected properties had already been demolished after it caught fire several years ago thus, constituted a departure from Paragraph 82 of IPSAS 17 – *Property, Plant, and Equipment (PPE)*.

Significant Observations and Recommendations

For the exceptions cited above, we recommended that the Municipal Mayor require:

1. The Supply Officer, Inventory and Disposal Committees, and other departments concerned, (i) to exert earnest effort in order to substantiate the already issued and distributed inventories; and (ii) and if proven futile, collate all available supporting documents and request authority from the Commission to adjust or drop from the books the noted dormant and non-existing inventory accounts.
2. The Inventory and Disposal Committees and other departments concerned, (i) to comply with the requirements for relief from accountability as well as the procedures and requirements of COA Circular No. 2020-006 dated January 31, 2020 for the disposition and one-time cleansing of PPE accounts balances insofar as the demolished properties are concerned; and (ii) then draw the necessary journal entries for the derecognition of demolished properties.

For calendar year 2021, the significant audit observations and recommendations are the following:

1. Collections during the year totaling ₱172,626 were not deposited intact and timely in contravention of Section 69 of the Presidential Decree (P.D.) No. 1445 and Section 32 of the Manual on the New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I thereby exposing the funds to risk of loss and misuse.

We recommended that the Municipal Mayor require the former Acting Municipal Treasurer to *(i)* explain in writing the noted practice of partial deposit; and *(ii)* ensure henceforth that the collectors remit their collections daily and the Acting Municipal Treasurer deposits her collections intact and timely.

2. Eleven bank accounts with unadjusted book balance of ₱70,735,409 as at year-end per Bank Reconciliation Statements (BRS) have discrepancy of ₱160,119,738 when compared to the Cashbook of the Acting Municipal Treasurer in contravention of Section 35 of the MNGAS for LGUs, Volume I thereby casting doubt on the accuracy and reliability of the BRS, Cashbook, and the account balances.

We recommended that the Municipal Mayor:

- a) Require the Acting Municipal Treasurer to *(i)* prepare Cashbook for the three bank accounts under the Trust Fund; *(ii)* revisit and rectify the Cashbook for the eight bank accounts under the General and Special Education Funds; *(iii)* explain in writing the above-noted discrepancies; and *(iv)* ensure henceforth that the Cashbook is reconciled with the BRS; and
 - b) Instruct the Municipal Accountant to *(i)* explain in writing the above-noted discrepancies; and *(ii)* ensure henceforth that the unadjusted book balance in the BRS is reconciled with the monthly balances in the Cashbook.
3. Only ₱3,293,359 or 38 percent of the total RPT and SET Receivables of ₱8,674,346 was collected during the year, inconsistent with Section 247 of Republic Act (R.A.) No. 7160 thereby depriving the municipality of huge income for basic services. Moreover, the collections amounting to ₱48,007 were not submitted with original copy of Official Receipts (ORs) contrary to Section 35 of the MNGAS for LGUs, Volume I thereby casting doubt on the veracity of the recorded collections.

We recommended that the Municipal Mayor enjoin the Acting Municipal Treasurer to *(i)* adopt strategies (e.g., information campaign) in order to intensify the collection of real property taxes and to persuade taxpayers to pay their dues and take advantage of early payment discount; and *(ii)* in coordination with the Municipal Accountant, locate and provide to the audit team the duplicate copies of ORs pertaining to the collection of ₱48,007.

- 4.1. PPE items totaling ₱6,054,320.46 were found by the Inventory Committee to be unserviceable, damaged, and missing but those were not provided yet with allowance for impairment; not yet disposed of by the management; and not yet cleansed from the records in non-compliance with COA Circular No. 2020-006 dated January 31, 2020 thereby casting doubt on the reliability of the affected PPE accounts.

- 4.2. PPE items under the Special Education Fund (SEF) totaling ₱981,725.41 as at year-end were not among the properties subjected to physical count in contravention of Section 124 of the MNGAS for LGUs, Volume I thereby casting doubt on the reliability of the account balances under the SEF.

With the foregoing, we recommended that the Municipal Mayor require:

- a) The Inventory and Disposal Committees and other departments concerned, (i) to comply with the requirements of COA Circular No. 2020-006 dated January 31, 2020 for the disposition and one-time cleansing of PPE accounts balances insofar as the unserviceable, damaged, and missing properties are concerned; and (ii) then draw the necessary journal entries for the provision of impairment losses; and
 - b) The Inventory Committee to conduct physical count of property under the SEF and reconcile the results of the count with the property and accounting records, prepare the corresponding RPCPPE, and submit the same to the audit team.
5. Payment made for the acquired parcel of land amounting to ₱975,000 was not sufficiently supported with documentary requirements inconsistent with Section 4.6 of P.D. No. 1445 and Item 13.1 of COA Circular No. 2012-001 dated June 14, 2012 thus, the propriety of claims could not be fully ascertained.

We recommended that the Municipal Mayor require the Municipal Assessor to process in the Registry of Deeds the Transfer Certificate of Title (TCT)/Certificate of Land Title (CLT) of the procured land. Also, secure and submit to the audit team the noted lacking documents to support the disbursements made for the acquired parcel of land. Henceforth, all claims against government funds shall be supported with complete documentation as required by Section 4.6 of PD No. 1445.

6. The Approved Budget for the Contract (ABC) and Contract Cost for the Construction of Looc Public Market amounting to ₱42,400,000 and ₱42,363,567, respectively, were found excessive by 22.06 and 21.95 percent or by ₱7,662,319 and ₱7,625,886 compared to the allowable COA Cost Estimates of ₱34,737,681 due to non-inclusion of some items of work in the computation of COA Cost Estimates that was caused by the failure of the agency to reflect the complete details of said items in the submitted plans and specifications and the overestimation of quantities by the agency contrary to Sections 3(c) and 3(e) of Annex A of the 2016 Revised Implementing Rules and Regulations (IRR) of R.A. No. 9184 thus, the municipality was not ensured of the most advantageous price for the project.

We recommended that the Municipal Mayor require the Municipal Engineer to (a) submit written explanations on the variances to the contract cost noted by the COA Technical Audit Services (TAS); (b) properly observe the

provisions of Annex A of the 2016 Revised IRR of R.A. No. 9184 in the preparation of detailed engineering for infrastructure projects; and (c) review thoroughly the ABC, Program of Works, and Detailed Engineering Estimates to ensure that the basis and ceiling of bid prices are acceptable/reasonable and advantageous to the government.

7. Disbursements made totaling ₱2,473,900 (gross) for the procurement of goods lacked some documentary requirements inconsistent with Section 4.6 of P.D No. 1445 and Item 9.1.3.1 of COA Circular No. 2012-001 dated June 14, 2012 thus, the propriety of claims could not be fully ascertained.

We recommended that the Municipal Mayor instruct the Municipal Accountant, who serves as the internal auditor of the agency, to (i) see to it that supporting documents attached to the vouchers are complete before processing of claims and (ii) submit and/or explain in writing the above-noted lacking documents.

- 8.1. The Gender and Development (GAD) Plan and Budget (GPB) amounting to ₱6,281,486 was misstated due to incorrect attribution thereof and the deficient allocation in the supplemental budget, in contravention of Item 4.1.C.1.1 of PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-01 dated July 18, 2013 thereby defeating the purpose for which the fund was established and depriving the constituents of the benefits that could be derived therefrom.
- 8.2. The municipality has yet to establish a GAD Database and to accomplish the GAD Agenda and Gender Mainstreaming Evaluation Framework (GMEF) Organizational Assessment in non-compliance with Items 4.B.1 and 4.1.C.2.1, respectively, of the same JMC No. 2013-01 dated July 18, 2013 thereby precluding the management from tracking the progress of their GAD mainstreaming efforts.
- 8.3. The GPB was submitted late or only on June 9, 2021 inconsistent with Item V of COA Circular No. 2014-001 dated March 18, 2014 thereby incurring delay of 310 calendar days.

With the foregoing, we recommended that the Municipal Mayor:

- a) Together with the GAD Focal Person and Municipal Budget Officer, (i) explain the noted deficiency in the GPB; and (ii) henceforth make sure that the attributed amount is accurate and the GAD Budget is allocated with the full five percent of the total annual budget;
- b) Instruct the GAD Focal Person to (i) facilitate and/or accomplish the GAD Agenda and GMEF Organizational Assessment Questionnaire and furnish a copy of which to the audit team for reference; and (ii) henceforth submit the GPB to the audit team on time; and

- c) Municipal Planning and Development Coordinator (MPDC) spearhead the setting up and maintenance of the GAD database to serve as basis for gender-responsive planning, programming and policy formulation.
9. Eight programs, projects and activities (PPAs) with total appropriations of P16,349,403 were not implemented as at year-end contrary to Item 4 of the DBM-DOF-DILG JMC No. 1 dated November 4, 2020 thereby depriving the constituents of benefits that could be derived therefrom.

With the foregoing, we recommended that the Municipal Mayor, together with the MPDC and Municipal Engineer, (i) fast track the implementation of the identified PPAs under the Development Fund; and (ii) apprise the audit team of the status of PPAs by submitting the quarterly report on government PPAs timely.

Other Observations are presented in Part II of the Report.

The above, together with the other observations and recommendations as contained in the report, were discussed with concerned municipal officials and staff during the exit conference on June 21, 2022. When appropriate, management's views and reactions were considered in the report.

Summary of total Suspensions, Disallowances, and Charges

The unsettled audit disallowances of the Municipality of Looc, Romblon amounted to P2,970,921.57 as at December 31, 2021, as summarized below:

	Beginning Balance (January 1, 2021)	From January 1 to December 31, 2021		Ending Balance (December 31, 2021)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 0.00	P 0.00	P 0.00	P 0.00
Notice of Disallowances	2,970,921.57	0.00	0.00	2,970,921.57
Notice of Charge	0.00	0.00	0.00	0.00
Total	P 2,970,921.57	P 0.00	P 0.00	P 2,970,921.57

Status of Implementation of Prior Years' Audit Recommendations

Of the 45 audit recommendations contained in the Annual Audit Report (AAR) of the Municipality of Looc, Province of Romblon for the year ended December 31, 2020, 28 were fully implemented, nine were partially implemented, and eight were not implemented.