

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. Financial and Compliance Audit

Cash Local Treasury

1. Collections during the year totaling **₱172,625.69** 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.

Analysis of collections and deposits disclosed that the collections during the year were not deposited intact and timely. For instance, the Cash Local Treasury under the General Fund of ₱172,625.69 as at December 31, 2021 was not deposited intact and on the next banking day, as shown below:

| Collections Period/ Deposit Date | Amount Collected | Amount Deposited | Balance |
|---|-----------------------------|-----------------------------|--------------------|
| Undeposited collections as at December 30, 2021 | | | ₱ 61,644.73 |
| Adjustments and collections on December 31, 2021 | ₱110,980.86 | ₱0.00 | 172,625.69 |
| Dec. 31, 2021 – Jan. 4, 2022/ Jan. 4, 2022 | 118,418.64 | 151,152.05 | 139,892.28 |
| January 3-5, 2022/ Jan. 6, 2022 | 516,452.02 | 346,670.13 | ₱309,674.17 |

As shown above, deposit was made on January 4, 2022. However, the amount deposited was only ₱151,152.05 which failed to cover the full undeposited balance of ₱172,625.69 as at December 31, 2021, thereby leaving a balance of ₱21,473.64. That balance was further increased to ₱309,674.17 after the Acting Municipal Treasurer deposited only an amount of ₱346,670.13 on January 6, 2022 despite having collections of ₱656,344.30 from December 31, 2021 to January 5, 2022. Such practice of partial deposit contravenes Section 69 of P.D. No. 1445 which requires that all moneys collected shall be deposited intact.

It also contradicts Section 32 of the MNGAs for LGUs, Volume I which requires that deposits shall be done daily or not later than the next banking day:

“The Treasurer/cashier shall deposit **intact** all his collections as well as all collections turned over to him by the collectors/tellers with the authorized depository bank **daily or not later than the next banking day**. He shall record all deposits made in the cashbook and prepare the RCD.” (Emphasis supplied)

Non-compliance with the above-quoted guidelines exposed the public funds to possible loss and/or misapplication of funds to the disadvantage of the municipality.

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.

Management's Comment

During the exit conference, the former Acting Municipal Treasurer explained that for some reasons there were instances of partial deposit but she said that those were later on settled and deposited. For the current Acting Municipal Treasurer, she took note of the audit observations and promised to deposit the collections intact and timely.

Cash in Bank – Local Currency, Current Account (LCCA)

- Eleven bank accounts with unadjusted book balance of ₱70,735,408.99 as at year-end per Bank Reconciliation Statements (BRS) have discrepancy of ₱160,119,738.07 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.**

The Cash in Bank – LCCA of ₱70,735,408.99 as at December 31, 2021 was comprised of 11 bank accounts with the Land Bank of the Philippines (LBP) Odiongan Branch. These accounts were duly prepared with monthly BRS in compliance with COA Circular No. 96-011 dated October 2, 1996.

We have recomputed the BRS for December 2021 and found no discrepancy between the unadjusted bank balance and the bank confirmation and between the adjusted bank balance and the Statement of Financial Position, as shown below:

| Bank Account | Unadjusted Bank Balance per Bank Confirmation Reply | Bank Reconciling Items | Adjusted Bank Balance as at 12/31/2021 |
|-------------------------------|--|-------------------------------|---|
| <i>General Fund</i> | | | |
| 1162-1001-53 | ₱60,649,645.43 | ₱(3,168,108.06) | ₱57,481,537.37 |
| 1162-1066-58 | 10,000.00 | 0.00 | 10,000.00 |
| 1162-1116-35 | 26,167.96 | 0.00 | 26,167.96 |
| 1162-1116-27 | 208,689.71 | 0.00 | 208,689.71 |
| 1162-1059-70 | 504,190.00 | 0.00 | 504,190.00 |
| 1162-1063-99 | 302,867.11 | 0.00 | 302,867.11 |
| 1162-10735-52 | 4,556,767.92 | 0.00 | 4,556,767.92 |
| Total Amount per Audit | | | ₱63,090,220.07 |
| Amount per FS | | | ₱63,090,220.07 |
| Difference | | | 0.00 |

| Bank Account | Unadjusted Bank Balance per Bank Confirmation Reply | Bank Reconciling Items | Adjusted Bank Balance as at 12/31/2021 |
|-------------------------------------|--|---------------------------------------|---|
| <i>Special Education Fund (SEF)</i> | | | |
| 1162-1073-01 | 2,361,299.29 | (371,728.78) | ₱1,989,570.51 |
| Total Amount per Audit | | | ₱1,989,570.51 |
| Amount per FS | | | ₱1,989,570.51 |
| Difference | | | 0.00 |
| <i>Trust Fund</i> | | | |
| 1162-1044-42 | 5,452,480.65 | (1,801.80) | ₱5,450,678.85 |
| 1162-1069-68 | 10,100.00 | 0.00 | 10,100.00 |
| 1162-1070-42 | 194,839.56 | 0.00 | 194,839.56 |
| Total Amount per Audit | | | ₱5,655,618.41 |
| Amount per FS | | | ₱5,655,618.41 |
| Difference | | | 0.00 |

As shown above, the amount presented in the Financial Statements (FS) was tallied with the recomputation made in audit insofar as the reconciliation of the *bank balance* is concerned. Our subsequent testing of the above bank reconciling items also disclosed that those were indeed valid outstanding checks.

But in the reconciliation of the *book balance*, discrepancies were noted between the Cashbook and the BRS. Moreover, the Cashbook for the three bank accounts under the Trust Fund was not prepared and submitted, as shown below:

| Bank Account | Unadjusted and Adjusted Book Balance as at 12/31/2021 |
|---------------------|--|
| <i>General Fund</i> | |
| 1162-1001-53 | ₱57,481,537.37 |
| 1162-1066-58 | 10,000.00 |
| 1162-1116-35 | 26,167.96 |
| 1162-1116-27 | 208,689.71 |
| 1162-1059-70 | 504,190.00 |
| 1162-1063-99 | 302,867.11 |
| 1162-10735-52 | 4,556,767.92 |
| Total per BRS | 63,090,220.07 |
| Amount per Cashbook | 216,217,907.28 |
| Discrepancy | ₱153,127,687.21 |

| Bank Account | Unadjusted and Adjusted Book Balance as at 12/31/2021 |
|-------------------------------|--|
| <i>Special Education Fund</i> | |
| 1162-1073-01 | 1,989,570.51 |
| Total per BRS | 1,989,570.51 |
| Amount per Cashbook | 653,138.06 |
| Discrepancy | ₱1,336,432.45 |
| <i>Trust Fund</i> | |
| 1162-1044-42 | 5,450,678.85 |
| 1162-1069-68 | 10,100.00 |
| 1162-1070-42 | 194,839.56 |
| Total per BRS | 5,655,618.41 |
| Amount per Cashbook | None submitted |
| Discrepancy | ₱5,655,618.41 |

As can be seen above, the unadjusted and adjusted book balances have the same amount and the BRS has no book reconciling items. But when we traced the unadjusted book balance to its corresponding Cashbook, discrepancies of ₱153,127,687.21, ₱1,336,432.45, and ₱5,655,618.41 under the General, Special Education, and Trust Funds, respectively, were revealed. It was found out that the Cashbook of the Acting Municipal Treasurer was not properly accomplished and thus unreliable for not being reflective of the year-end account balances in contravention of Section 35 of the MNGAS for LGUs, Volume I which requires the recording of collections and deposits in the Cashbook.

We hereby emphasize that cash in bank are liquid assets most susceptible to risk of loss and misuse. Hence, the Treasurer and Accountant must be careful and proactive in reconciling their respective records. Likewise, Section 74 of P.D. No. 1445 requires the head of the agency, or the Municipal Mayor, to see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.

It is important to reconcile the BRS vis-à-vis the Cashbook so that possible errors, fraud, and reconciling items are identified, investigated, and corrected in a timely manner that would enable the management to present fairly the account balances in the FS. Non-conduct of which rendered the Cash in Bank – LCCA account unreliable.

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.**

Management's Comment

During the exit conference, the Municipal Accountant said that she didn't rely on the former Acting Municipal Treasurer's Cashbook in her preparation of BRS and that explains why the unadjusted and adjusted book balances have the similar amount. She and the current Acting Municipal Treasurer promised to comply with the audit recommendations.

Real Property Tax (RPT) and Special Education Tax (SET) Receivables

- 3. Only P3,293,358.72 or 38 percent of the total RPT and SET Receivables of P8,674,346.35 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 P48,006.84 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.**

Audit of accounts and its related transactions disclosed the following:

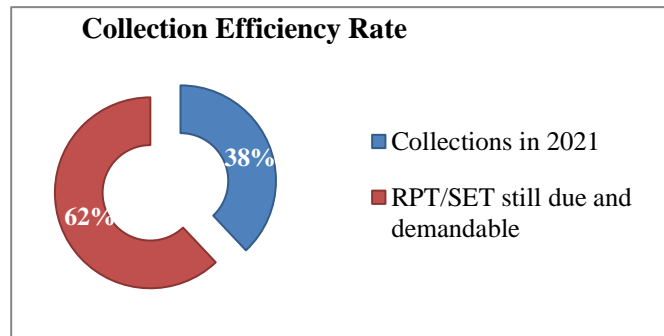
3.1 Collection efficiency rate of only 38 percent for the year

The accounts RPT and SET Receivables had seen an increasing trend from 2019 to 2020 by 65.67 percent or equivalent to P1,563,737.34 and from 2020 to 2021 by 36.40 percent or equivalent to P1,435,920.06 thereby resulting in total account balance of P5,380,987.63 as at December 31, 2021, as analyzed below:

| <u>Year</u> | <u>RPT and SET Receivables</u> | <u>Movement</u> | <u>Percentage (%)</u> |
|-------------|--------------------------------|-----------------|-----------------------|
| 2021 | P5,380,987.63 | P1,435,920.06 | 36.40% increase |
| 2020 | 3,945,067.57 | 1,563,737.34 | 65.67% increase |
| 2019 | 2,381,330.23 | | |

From above, it can be said that collections slightly improved in CY 2021 since the upward movement during the year was slightly lower than that of the previous year. However, ratio analysis disclosed that the collection efficiency rate for the year was

only 38 percent equivalent to only ₱3,293,358.72 (gross of discount) out of the total tax due and demandable for the year of ₱8,674,346.35, as illustrated below:



Collection efficiency rate measures the agency’s ability to collect receivables. The farther the rate from 100 percent, the weaker the tax collections are. With low collection efficiency rate, the LGU was deprived of income that would have enabled them to deliver more social services and developmental projects to its constituents.

We would like to underscore that RPT collection is the responsibility of the Treasury Office. Section 247 of R.A. No. 7160 provides that:

“The collection of the real property tax with interest thereon and related expenses, and the enforcement of the remedies provided for xxx or any applicable laws, shall be the responsibility of the city or municipal treasurer concerned.

The city or municipal treasurer may deputize the barangay treasurer to collect all taxes on real property located in the barangay: Provided, That the barangay treasurer is properly bonded for the purpose: Provided, further, That the premium on the bond shall be paid by the city or municipal government concerned.”

We encourage the municipality to take an active and efficient tax campaign and enforce available remedies in order to persuade taxpayers to pay their dues, so that additional income would be collected and the receivable account would be substantially decreased.

3.2 The reported collections of ₱48,006.84 could not be traced to ORs

Moreover, we were precluded from conducting a test of details for the collections of ₱48,006.84 under the General Fund and the same amount under the Special Education Fund (SEF) for the reason that the attached Report of Collections and Deposits (RCDs) was not supported with ORs.

Our walkthrough disclosed the practice is to attach the original ORs to the RCD under the General Fund. However, no such ORs were attached to the RCD and Journal Entry Voucher (JEV) both in the General Fund and SEF.

The absence of said source document contradicts Section 35 of the MNGAS for LGUs, Volume I which requires the issuance of ORs upon receipt of collections. It further requires the Municipal Treasurer to forward RCD to Accounting Unit with copies of ORs so that the latter would be able to record and submit the same to the audit team. Without the ORs, the recorded collections were doubtful.

With the foregoing, 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 P48,006.84.

Management's Comment

During the exit conference, the Municipal Mayor commented that they were precluded from conducting the one-stop shop program in every barangay due to the restrictions imposed by the Inter-Agency Task Force (IATF) thereby affecting their collection efficiency in CY 2021. As to the copies of ORs, the former Acting Municipal Treasurer said that the collections were issued with ORs. She committed to look for the triplicate copies and to submit a photocopy of which to the audit team.

Advances to Officers and Employees

- 4. The Advances to Officers and Employees account balance of P4,897.00, although small in amount, represents unliquidated and overdue cash advances as at year-end contrary to Item 5.7 of COA Circular No. 97-002 dated February 10, 1997. Moreover, four officials and employees have liquidated their cash advances late totaling P66,170.00 inconsistent with Item 5.1.3 of the same circular thereby incurring delays of 28 to 59 calendar days.**

Item 5 of COA Circular No. 97-002 dated February 10, 1997 prescribes the guidelines on the grant, utilization, and liquidation of cash advances. In particular, Items 5.1.3 and 5.7 of which require the following:

- 5.1.3 Official Travel – within sixty (60) days after return to the Philippines in the case of foreign travel or within thirty (30) days after return to his permanent official station in the case of local travel, xxx.

5.7 When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer.

However, despite the foregoing provisions, we noted a total account balance of the Advances to Officers and Employee of ₱4,897.00 as at December 31, 2021, broken down as follows:

| Cash Advance | | Liquidation | Balance as at |
|--------------|--------------------|--------------------|-------------------|
| Date Granted | Amount | Made | 12/31/2021 |
| 9/10/2020 | 3,375.00 | 0.00 | 3,375.00 |
| 8/3/2021 | 4,700.00 | 4,500.00 | 200.00 |
| 9/28/2021 | 22,069.00 | 20,747.00 | 1,322.00 |
| Total | ₱ 30,144.00 | ₱ 25,247.00 | ₱ 4,897.00 |

As shown above, one unliquidated cash advance was granted in CY 2020 and the two other accounts were granted in CY 2021. Although there were liquidations made totaling ₱25,247.00, an amount of ₱4,897.00 remained unliquidated as at December 31, 2021 contrary to the above-quoted provisions.

The failure on the part of the accountable officers to liquidate their cash advances within the prescribed period constitutes a valid cause for the withholding of salary as provided for under COA Circular No. 97-002 dated February 10, 1997 and a prima facie presumption that they have malversed the funds to their personal use and benefits under Article 217 of the Revised Penal Code. It also constitutes a violation of Article 218 of the same Penal Code and Section 89 of P.D. No. 1445 for failure to render accounts.

Further, we noted four instances of late liquidation by two elected officials, one department head, and one employee with a total amount of ₱66,170.00.00. While liquidations have been made, it must be underscored that they should have rendered an account within 30 days after their return to permanent station. Their failure to do so resulted in delays of 28 to 59 calendar days.

We would like to point out that one of the principles of a control environment is “tone at the top” which according to the Internal Control Standards for the Philippine Public Sector (ICSPPS) reflects management commitment, involvement, and support toward internal control of the agency. The ICSPPS added that in carrying out this role, management should set a good example through its own actions because it fosters a positive attitude which is critical to maintaining effective internal control in an agency. Thus, the municipal officials comprising the top management of the municipality must set a good example in liquidating their cash advances.

Management's Comment

During the exit conference, the Municipal Accountant remarked that the outstanding balances of ₱200.00 and ₱1,322.00 were already refunded in January 2022 while the amount of ₱3,375.00 was likewise refunded in June 2022.

For the noted late liquidation, we recommended and it was agreed that the Municipal Mayor and Municipal Accountant will commit to strengthening the municipality's internal controls over the liquidation of cash advances by sending a demand letter or memorandum, copy furnished the audit team, to the delinquent officers and employees.

Inventory and Property, Plant and Equipment (PPE) accounts

5.1 The Inventory accounts of ₱9,368,642.17 as at year-end includes an amount of ₱7,718,042.70 representing inventories that have already been issued to end-users or distributed to beneficiaries but not yet dropped from the books due to absence of supporting documents, inconsistent with Section 121 of the MNGAS for LGUs, Volume I, which constituted a departure from Paragraph 44 of IPSAS 12 – Inventories thereby overstating the affected accounts.

The total Inventory of ₱9,368,642.17 as at December 31, 2021 represents 2.66 percent of the municipality's total assets of ₱352,259,933.09. The book value of the Inventory accounts is provided in the second column of the table below:

| Inventory Accounts | Net Book Value as at 12/31/2021 | Per RPCI | Discrepancy |
|--|--|----------------------|----------------------|
| <i>Inventory Held for Distribution</i> | | | |
| Agricultural Produce for Distribution | ₱ 965,965.00 | ₱ 0.00 | ₱965,965.00 |
| <i>Inventory Held for Consumption</i> | | | |
| Drugs and Medicines Inventory | 4,993,177.70 | 0.00 | 4,993,177.70 |
| Office Supplies Inventory | 983,432.37 | 983,432.37 | 0.00 |
| Food Supplies Inventory | 6,619.40 | 6,619.40 | 0.00 |
| Fuel, Oil and Lubricants Inventory | 8.78 | 0.00 | 8.78 |
| Agricultural and Marine Supplies Inventory | 1,758,900.00 | 0.00 | 1,758,900.00 |
| Other Supplies and Materials Inventory | 660,538.92 | 660,538.92 | 0.00 |
| Total | ₱9,368,642.17 | ₱1,650,590.69 | ₱7,718,051.48 |

As shown above, there were discrepancies of ₱7,718,051.48 between the Inventory per books vis-à-vis the submitted Report on the Physical Count of Inventories (RPCI) dated December 31, 2021. Our inquiry, spot inspection, and perusal of previous year's audit findings further revealed the following information:

- a) The Agricultural Produce for Distribution of ₱965,965.00 was said to have already been distributed to beneficiaries many years ago. Our spot inspection on June 21, 2022 in the storage room of the Supply Officer also found no such inventory. In fact, the account has already been dormant in the books for at least ten years. The Municipal Accountant could not make a proper adjustment in the books because of absence of documents relative to the said distribution.
- b) The Drugs and Medicines Inventory of ₱4,993,177.70 represents various medicines that have been purchased in 2009 out of the Priority Development Assistance of then Senator Manuel 'Lito' Lapid. All medicines were said to have already been issued but the necessary Requisition and Issue Slip (RIS) and Summary of Supplies and Materials Issued (SSMI) relative to the issuance of the items were not provided to the Accounting Office hence the non-adjustment.
- c) The Agricultural and Marine Supplies Inventory of ₱1,758,900.00 has been in the books even prior to the assumption in office on June 1, 2018 of the current Municipal Accountant. In fact, it has been non-moving for at least five years and our spot inspection on June 21, 2022 confirmed its inexistence in the storage room of the Supply Officer. The Municipal Accountant could not draw necessary adjustment since no document is available to substantiate them.

The inclusion in the books of inventories that no longer exist rendered the accounts Agricultural Produce for Distribution, Drugs and Medicines Inventory, and Agricultural and Marine Supplies Inventory overstated by an amount of ₱965,965.00; ₱4,993,177.70; and ₱1,758,900.00, respectively, or an aggregate amount of ₱7,718,042.70 as at December 31, 2021 thus, constituted a departure from Paragraph 44 of IPSAS 12 – *Inventories* which provides that when inventories are distributed, the carrying amount of those inventories shall be recognized as an expense.

Henceforth, it must be noted that Section 121 of the MNGAS for LGUs, Volume I requires that a JEV to record the expenditure for the issued inventory shall be based on the duly approved RIS and SSMI. The supply ledger cards (SLC) shall be updated for the receipt and issuance of inventories.

Hence, diligent and earnest effort shall be exerted to locate the RIS, SSMI, and SLC of the above Inventory accounts in order to support any adjustment to be made in the books. Efforts taken shall be documented through but not limited to narrative report, pictures, reconciliation, ledger cards, and other pertinent documents. If the efforts taken are proven futile, we suggest that the management request an authority from the Commission to drop from the books the above dormant and non-existing inventory accounts for the purpose of fair presentation in the FS and not for the extinguishment of any accountability thereof.

5.2 The PPE of ₱179,944,843.17 as at year-end, net of construction in progress and accumulated depreciation, includes an amount of ₱4,888,469.81 representing properties that have already been demolished thereby overstating the affected

accounts contrary to COA Circular No. 2020-006 dated January 31, 2020 and Paragraph 82 of IPSAS 17 – PPE.

The Statement of Financial Position disclosed a total PPE of ₱179,944,843.17 as at December 31, 2021 (net of accumulated depreciation and excluding construction in progress) which represents 51.06 percent of the municipality’s total asset of ₱352,259,933.09. The breakdown of the PPE is provided in the table below:

| PPE Accounts | Net Book Value as at 12/31/2021 |
|-------------------------------------|--|
| Land | ₱ 13,793,077.18 |
| Land Improvements | 4,000,722.84 |
| Infrastructure Assets | 114,212,587.67 |
| Buildings and Other Structures | 29,493,879.52 |
| Machinery and Equipment | 11,463,590.66 |
| Transportation Equipment | 5,162,722.84 |
| Furniture, Fixtures and Books | 1,581,038.11 |
| Other Property, Plant and Equipment | 237,224.35 |
| Total | ₱179,944,843.17 |

However, further evaluation of the submitted Report on the Physical Count of PPE (RPCPPE) as at December 31, 2021 revealed that a total amount of ₱4,888,469.81 has already been “demolished” or “demolished due to fire” as follows:

| PPE Accounts | Per RPCPEE | |
|-------------------------------------|----------------------|----------------|
| | Amount | Remarks |
| <i>Hospitals and Health Centers</i> | | |
| TB Dots Building | ₱ 283,908.45 | Demolished |
| <i>Markets</i> | | |
| Main Market Building | 1,820,876.00 | |
| Market Building - Left Wing | 1,573,236.36 | Demolished |
| Market Building - Right Wing | 1,155,345.00 | due to fire |
| Market Stalls | 55,104.00 | |
| Total | ₱4,888,469.81 | |

Since the above PPEs have already been disposed of through demolition, the same should have already been dropped from the books for being no longer existing. Failure to do so rendered the above PPE accounts overstated by ₱4,888,469.81 as at December 31, 2021 thus, constituted a departure from Paragraph 82 of IPSAS 17 – PPE which provides that the carrying amount of an item of the PPE shall be derecognized on disposal.

We invite the attention of the management to COA Circular No. 2020-006 dated January 31, 2020 for the guidelines in the disposition and the one-time cleansing of PPE account balances. We also enjoin the management to comply with the procedures

and requirements of the said circular in order to cleanse the PPE of demolished properties.

Moreover, Section 55 of the MNGAS for LGUs provides the following relative to the request for relief from accountability for loss of property caused by fire that should also be complied with:

“In case the request for relief from accountability for loss of property caused by fire, theft, force majeure or other causes is granted, a copy of the decision shall likewise be forwarded to the [Municipal] Accountant for the preparation of the JEV. The loss shall be debited to the Loss of Assets account and credited to the appropriate asset account. If request for relief from accountability is denied, the loss shall be taken up as a receivable from the accountable officers/persons liable and shall be credited to the appropriate asset account.”

5.3 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.

Further evaluation of the submitted RPCPPE revealed the existence of PPE items that were already unserviceable, damaged, and missing or unlocated with an aggregate amount of ₱6,054,320.46, broken down as follows:

| PPE Account | Status per RPCPPE | | |
|--|----------------------|----------------------|----------------------|
| | Unserviceable | Damaged | Unlocated |
| Buildings | ₱7,400.00 | | |
| Office Equipment | | | ₱193,484.52 |
| ICT Equipment | 2,220,281.38 | ₱70,000.00 | 80,274.40 |
| Marine and Fishery Equipment | | | 71,808.00 |
| Communication Equipment | 804,445.77 | | 511,630.34 |
| Disaster Response and Rescue Equipment | | 83,954.00 | 94,860.00 |
| Technical and Scientific Equipment | | | 39,500.00 |
| Other Machinery and Equipment | | | 60,000.00 |
| Motor Vehicles | 382,421.77 | | 50,000.00 |
| Watercrafts | | 196,000.00 | |
| Furniture and Fixtures | 131,487.00 | | 121,296.96 |
| Other Property, Plant and Equipment | 855,145.19 | | 80,331.13 |
| Total | ₱4,401,181.11 | ₱349,954.00 | ₱1,303,185.35 |
| | | ₱6,054,320.46 | |

Again, attention is invited to COA Circular No. 2020-006 dated January 31, 2020 for the guidelines and procedures in the disposition and the one-time cleansing of PPE account balances of the LGU. We enjoin the management to comply with the procedures and requirements of the said circular in order to cleanse the PPE of unserviceable, damaged, and missing properties. Failure to do so casted doubt on the reliability of the affected PPE account balances.

Moreover, pending disposal, the management should have also provided allowance for impairment losses for the unserviceable and damaged properties. Paragraph 26 of IPSAS 21 – *Impairment of Non-Cash Generating Assets* provides that an entity shall assess at each reporting date whether there is indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. Paragraphs 52 and 54 of the same IPSAS added that if and only if the recoverable service amount is less than its carrying amount, the carrying amount shall be reduced to its recoverable service amount and that reduction is the impairment loss which shall be recognized immediately in the financial performance.

5.4 PPE items under the Special Education Fund (SEF) totaling P981,725.41 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.

We also noted that the PPE items under the SEF totaling P981,725.41 (at cost) were not subjected to physical count and consequently were not prepared with RPCPPE, analyzed as follows:

| PPE Accounts | As at December 31, 2021 | | |
|-------------------------------------|-------------------------|------------------------|---------------------|
| | Per Book (Cost) | Per RPCPPE | Discrepancy |
| Land | ₱ 13,793,077.18 | ₱ 13,793,077.18 | ₱ 0.00 |
| Land Improvements | 5,187,034.99 | 5,187,034.99 | 0.00 |
| Infrastructure Assets | 127,973,889.41 | 127,973,889.41 | 0.00 |
| Buildings and Other Structures | 51,448,139.73 | 51,218,684.30 | 229,455.43 |
| Machinery and Equipment | 25,110,507.83 | 24,394,181.85 | 716,325.98 |
| Transportation Equipment | 8,338,963.29 | 8,338,963.29 | 0.00 |
| Furniture, Fixtures and Books | 2,559,481.44 | 2,523,537.44 | 35,944.00 |
| Other Property, Plant and Equipment | 1,580,726.32 | 1,580,726.32 | 0.00 |
| Total | ₱ 235,991,820.19 | ₱235,010,094.78 | ₱ 981,725.41 |

As shown above, there was a discrepancy of P981,725.41 between the Statement of Financial Position vis-a-vis the submitted RPCPPE. Notably, the discrepancy was pertaining to the PPE items valued at cost under the SEF. Non-conduct of physical count for the properties under the SEF contravenes Section 124 of the MNGAS for LGUs, Volume I which requires:

“The local chief executive shall require periodic physical inventory of supplies or property. xxx xxx

Physical count of [PPE] by type shall be made annually and reported on the [RPCPPE]. This shall be submitted to the Auditor concerned not later than January 31 of each year.”

Without the RPCPPE, the account balance of the PPE items under SEF could not be fully ascertained as to existence, valuation and completeness.

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

- a) **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;**
- b) **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, unserviceable, damaged, and missing properties are concerned; and (ii) then draw the necessary journal entries for the derecognition of demolished properties and the provision of impairment losses; and**
- c) **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.**

Management's Comment

During the exit conference, the Municipal Accountant commented that they experienced difficulties in the retrieval of documents supporting the issuances of the noted inventories. She added that they will employ any available options to retrieve the documents and to document the processes taken in order to support the request for authority to write-off from the Commission.

Further, the management will process a request for relief from accountability for the buildings that had been engulfed by fire and eventually demolished. They will also apply the provisions stated in COA Circular No. 2020-006 for the one-time cleansing of PPE.

Land Acquisition

- 6. Payment made for the acquired parcel of land amounting to ₱975,000.00 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.**

Section 4.6 of P.D. No. 1445 states that claims against government funds shall be supported with complete documentation. Relative thereto, Section 39, Chapter 2 of the same Decree provides the submission of papers relative to government obligations, to wit:

1. The Commission shall have the power, for purposes of inspection, to require the submission of the original of any order, deed, contract, or other document under which any collection of, or payment from government funds may be made, together with any certificate, receipt, or other evidence in connection therewith.
2. In the case of deeds to property purchased by any government agency, the Commission shall require a certificate of title entered in favor of the government or other evidence satisfactory to it that the title is in government.
3. It shall be the duty of the officials or employees concerned to comply promptly with these requirements. Failure or refusal to do so without justifiable cause shall constitute a ground for administrative disciplinary action as well as for disallowing permanently a claim under examination.

On January 15, 2021, the municipality acquired a parcel of land from the seller Ms. Edna F. Formilleza for the amount of ₱975,000.00, with details below:

| Lot No. | Location | Area | Amount |
|----------------|-------------------------------|------------------|---------------|
| 2316-P | Brgy. Punta, Looc, Romblon | 1,500 sq. meters | ₱975,000.00 |

The above consideration was found to be the reasonable market value of the property based on the prevailing market price value within the locality based on Resolution No. 14-2020 of the Provincial Appraisal Committee. The acquisition of lot intended for the establishment of Public Slaughterhouse was duly authorized by the local sanggunian through Resolution No. 103-2020 dated July 10, 2020.

However, further verification of the submitted disbursement vouchers disclosed the following:

1. The certified photocopy of Tax Declaration in the name of Edna F. Formilleza has no annotation of sale.

2. The following documents as required under Item 13.1 of COA Circular No. 2012-001 dated June 14, 2012 were not attached:
 - a. Project parcellary survey plan showing that said lot are within the boundaries of the right of way (ROW);
 - b. Certification by the implementing agency that the claim is not within the original ROW of a converted local road;
 - c. Certified Photocopy of Tax Clearance for the:
 - i. Certificate Authorizing Registration (CAR)
 - ii. Capital Gains Tax (CGT)
 - iii. Documentary Stamp Tax (DST)
 - iv. Transfer Tax
 - d. If registered land:
 - Certified photocopy of Transfer Certificate of Title (TCT) in the name of the procuring entity or previous owner with annotation of sale.
 - e. If unregistered land:
 - Notarized Affidavit of Ownership
 - Considering that the amount of sale exceeds ₱50,000.00 (EO. No. 1035), certified photocopy of Claimant's Surety/Indemnity Bond issued by any Insurance Company duly accredited by the Insurance Commission.

We also enjoin the management to process the registration and titling of land in order to protect the rights and ownership of the municipality. Because while it can be argued that the deed of absolute sale and actual possession of the land are conclusive evidence of ownership, it cannot fully protect the interest of the LGU unless and until the TCT or the Certificate of Land Transfer (CLT) is secured.

The objective is to prevent possible conflicts. The Supreme Court in its decision GR No. 163551 states that tax declaration and tax receipts cannot prevail over a certificate of title which is an incontrovertible proof of ownership. An original certificate of title issued by the Register of Deeds under an administrative proceeding is as indefeasible as a certificate of title issued under judicial proceedings.

With the foregoing, we recommended that the Municipal Mayor require the Municipal Assessor to process in the Registry of Deeds the TCT/CLT of the procured land. Also, secure and submit to the audit team the aforementioned 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.

Management's Comment

During the exit conference, the Municipal Assessor said that they have coordinated a request to the Land Management Bureau of the Department of Environment and Natural Resources (DENR) for a conduct of free land survey for the

purpose of titling. They expect to materialize it in year 2022 so that the necessary documentation and titling will be addressed. He also provided a photocopy of payments made for the CGT and DST.

TAS Evaluation Report

- 7. The Approved Budget for the Contract (ABC) and Contract Cost for the Construction of Looc Public Market amounting to ₱42,400,000.00 and ₱42,363,567.00, respectively, were found excessive by 22.06 and 21.95 percent or by ₱7,662,318.87 and ₱7,625,885.87 compared to the allowable COA Cost Estimates of ₱34,737,681.13 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.**

Annex A of the 2016 Revised IRR of R.A. No. 9184 provides for Detailed Engineering for the Procurement of Infrastructure Projects. Sections 3(c) and 3(e) of which provide the following:

- c. Contract Plans – The following plans shall be prepared for each construction contract in accordance with guidelines and standards adopted by the procuring entity concerned, incorporating at least the following:
 - i) Site development plan
 - ii) Plans and profile sheet
 - iii) Typical sections and details
 - iv) Drainage details where applicable
 - v) Structural plans at appropriate scales indicating all details necessary in order that the complete structure can be set out and constructed
 - vi) Other details which may be required by the head of the agency

- e. Special Provisions – Specifications shall be prepared for specific terms of work or methods of construction, measurement and payment under each contract, which are not covered by Standard Construction and Material Specifications adopted by the procuring entity concerned.”

On December 5, 2019, the municipality entered into a Contract Agreement with Tonijon Construction and Development, Inc. for the Construction of Looc Public

Market at Barangay Poblacion, Looc, Romblon with contract cost of ₱42,363,567.00 funded by a long-term loan from the Municipal Development Fund Office (MDFO). We have reviewed the contract and its supporting documents and forwarded the same to the COA Technical Audit Specialist (TAS) for technical review pursuant to Section 3.1.5 of COA Circular No. 2009-001 dated February 12, 2009.

Based on the Technical Evaluation Report for Infrastructure Project by the COA Region IV-B TAS dated September 1, 2021, the contract cost of ₱42,363,567.00 and the ABC of ₱42,400,000.00 were both found higher than the COA Cost Estimate of ₱34,737,681.13, or higher by 21.95 percent equivalent to ₱7,625,885.87, and by 22.06 percent equivalent to ₱7,662,318.87, respectively, broken down as follows:

| Item of Works | Contract Cost (a) | ABC (b) | COA Estimate (c) | Excess | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| | | | | (a-c) | (b-c) |
| 1. Other General Requirements | ₱210,259.03 | ₱210,259.04 | ₱210,259.03 | ₱0.00 | ₱0.01 |
| 2. Facilities for the Engineer | 39,690.00 | 39,690.00 | 39,690.00 | 0.00 | 0.00 |
| 3. Excavation/ Backfill/ Trimming | 1,147,230.00 | 1,323,604.80 | 477,968.40 | 669,261.60 | 845,636.40 |
| 4. Concreting Works | 23,647,850.20 | 23,899,849.22 | 17,795,359.79 | 5,852,490.41 | 6,104,489.43 |
| 5. Masonry Works | 7,607,221.72 | 7,480,836.34 | 7,098,453.35 | 508,768.37 | 382,382.99 |
| 6. Carpentry Works | 4,412,911.10 | 4,308,583.10 | 3,978,773.06 | 434,138.04 | 329,810.04 |
| 7. Plumbing Works | 1,397,466.00 | 1,361,745.00 | 1,361,745.00 | 35,721.00 | 0.00 |
| 8. Electrical Works | 958,797.00 | 929,313.00 | 929,313.00 | 29,484.00 | 0.00 |
| 9. Painting Works | 925,260.02 | 840,577.50 | 840,577.50 | 84,682.52 | 0.00 |
| 10. Misc. Works | 2,016,881.93 | 2,005,542.00 | 2,005,542.00 | 11,339.93 | 0.00 |
| Total | ₱42,363,567.00 | ₱42,400,000.00 | ₱34,737,681.13 | ₱7,625,885.87 | ₱7,662,318.87 |
| | | | | 21.95% | 22.06% |

The above variances were due to non-inclusion of the volume of stairs, parts of the parapet, and ledges and their respective forms and rebars in the computation of COA Cost Estimate for the total quantity of Item 4 - Concreting Works. Those items were excluded because the agency failed to reflect the details of the aforementioned structures in the submitted plans and specifications of the project contrary to Sections 3(c) and 3(e) of Annex A of the 2016 Revised IRR of R.A. No. 9184.

Similarly, the Aluminum Frame Glass Door, Ceiling Materials and Accessories, Wall Flushing and other items in Item 6 - Carpentry Works were not

included in the computation of COA Cost Estimate for the same reason. In addition, overestimated quantities under Items 3 (Excavation/Backfill/Trimming) and 5 (Masonry Works) were noted by the COA TAS. As a result, the municipality was not ensured of the most advantageous price for the project. Please see the attached Detailed Unit Price Analysis (DUPA) and Backup Computation for Items 3, 4, 5 and 6 prepared by the COA TAS (**Annex E**) for reference.

Thus, 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 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.

Management's Comment

The Municipal Engineer, in his letter dated June 24, 2022 which was received by the audit team on June 27, 2022, explained that the actual site condition was not correctly reflected in the submitted plan. Based on the plan, the finished floor line is +1.0 meter from the natural grade line at the front, while the actual grading at the back is actually +2.8 meters from actual natural grade line to actual finish floor line. Hence, there is +1.8 meters additional elevation from original plan to the intended and actual height of the building.

The total accumulated additional embankment were 4,780.98 cubic meters. Considering the additional days of use of backhoe, road roller and additional labor, then there was an additional cost of ₱4,989,411.00. Further, the additional elevation costed additional 120 square meters of masonry works amounting to ₱258,461.91

In connection with the required additional elevation, concrete column height was increased necessitating 32 cubic meters of concreting works amounting to ₱580,267.23.

In order to accommodate the existing tenants from the old public market, there was a need for the provision of additional wall partitions, kitchen counter slab and overhead steel matting partitions, to wit:

- Additional carpentry works amounting to ₱636,419.70
- Additional painting works amounting to ₱147,117.60
- Additional steel matting partitions amounting to ₱513,903.60
- Additional tiling works for additional kitchen counter slab amounting to ₱166,127.85

Further, after re-evaluating the design for the trusses, there was a need to change the original 2"x2"x6mm angle bars and 6mm gusset plates, that amounted to P539,154.00.

Moreover, they explained that the variance as cited in Item 3 as to the Excavation/Backfilling/Trimming was erroneously computed by calculating that the same shall be completed in only ten days. It should have been considered that the site was a reclaimed area and is surrounded by sea water wherein high and low tides can be a factor. Considering the area of the site, that have ninety nine footings to be excavated, the soil condition and the tides, the activity will not be completed in just ten days.

In view of the foregoing, he submitted that the additional scope of works completed totaled to P7,830,862.89 based on actual site conditions. A computation of the said total amount was likewise submitted to the audit team.

Auditor's Rejoinder

Since the engineer admitted that "the actual site condition was not correctly reflected in the submitted plan", the audit team stands by the foregoing audit observation. Actual site condition should have been considered through a detailed engineering investigations prior to the procurement of the project. have been sufficiently carried out by the concerned officials which resulted to the noted excessive computation of ABC. This is contrary to the abovementioned criteria thus, the municipality was not ensured of the most advantageous price for the project.

Section 17.6 of the 2016 Revised IRR of R.A. 9184 states that:

"No bidding and award of contract for Infrastructure Projects shall be made unless the detailed engineering investigations, surveys and designs, for the project have been sufficiently carried out and duly approved in accordance with the standards and specifications prescribed by the HoPE concerned or his duly authorized representative, pursuant to the recommendation of the end-user or implementing unit and in accordance with the provisions of Annex "A" of this IRR. xxx xxx"

Moreover, we noted that the attached computation supporting the said completed additional scope of works of P7,830,862.89 was not duly signed as approved by the Municipal Engineer and Municipal Mayor. And except for that, no other document was provided to the audit team. Nonetheless, the management's comments will be referred to the COA Region IV-B TAS for further evaluation.

Procurement of Goods

- 8. Disbursements made totaling P2,435,000.00 (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.

The municipality has entered into contract with several suppliers for the purchase of goods listed in the table below:

| Particulars | Source of Fund | Supplier | Contract Cost |
|--|------------------|---|----------------------|
| 1. Supply and Delivery of CCTV Cameras and Accessories | LDRRM Fund | Arcs Build and Services Corp./ Hazel Sabigan | ₱ 290,000.00 |
| 2. Supply and Delivery of Drone Aircraft | | S.I.G.E Trading/ Ejel Y. Malla | 147,000.00 |
| 3. Supply and Delivery of 2 and 1 Shredder | Development Fund | Total Performance Distribution, Inc./ Bryan Rhys L. Garde | 1,998,000.00 |
| Total | | | ₱2,435,000.00 |

Review of the above transactions disclosed the following observations:

| Deficiencies Noted | Project No. | | |
|---|-------------|---|---|
| | 1 | 2 | 4 |
| 1. No attached result of test analysis showing that the items procured were working properly inconsistent with Item 9.1.3.1 of the same COA Circular No. 2012-001. | | | ✓ |
| 2. No attached warranty security for a minimum period of three months, in case of expendable items, or a minimum period of one year in the case of non-expendable items, after acceptance by the procuring entity of the delivered items in contravention of Item 9.1.3.1 of the same COA Circular No. 2012-001 thus, factory defects inherent to the items were not covered by a warranty to the disadvantage of the procuring agency. | ✓ | ✓ | |
| 3. Brand name of the items was not indicated in the signed purchase orders contrary to Item B.1.m of COA Circular No. 96-010 dated August 15, 1996. Non-disclosure of such important data in the contract could limit the right of the agency from requiring the particular brand agreed upon. | ✓ | ✓ | ✓ |

All claims against the government funds shall be supported with complete documentation according to Section 4.6 of P.D No. 1445. Relative thereto, Item 9.1.3.1 of COA Circular No. 2012-001 dated June 14, 2012 provides the documentary requirements for the payment of materials and equipment which must be complied with. Failure to do so casted doubt on the propriety of claims and the disbursements made to the disadvantage of the local government.

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.

Management's Comment

During the exit conference, the Municipal Mayor commented that before they accepted the delivery of the procured shredder machine, an operation and function test was first employed to the machine. However, no documentation was prepared for the said test and its result. Overall, the management promised compliance with the audit recommendations.

Gender and Development Fund

9.1. The GAD Plan and Budget (GPB) amounting to ₱6,281,485.98 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 they could derive therefrom.

The GPB for CY 2021 has been reviewed and endorsed by the DILG Provincial Office on July 24, 2020. It contains nine GAD-mandated PPAs and 14 attributed PPAs amounting to ₱1,249,096.90 and ₱4,712,000.00, respectively, thereby bringing the total GAD budget to ₱5,961,096.90 (prior to supplemental budget) which appeared to have complied with Item 4.1.C.1.1 of PCW-DILG-DBM-NEDA JMC No. 2013-01 dated July 18, 2013.

However, verification of the GPB and recomputation of the attributed amount disclosed that that the GPB was overstated by ₱1,178,000.00 due to incorrect attribution, as computed below:

| PPAs | HGDC Score & Equivalent Percentage | Project Budget | Attributed Amount | | Difference |
|---|------------------------------------|----------------|-------------------|--------------|-------------|
| | | | Per Audit | Per GPB | |
| | (a) | (b) | (c)=(a)*(b) | (d) | (e)=(c)-(d) |
| a. Capability Building for BHWs | 19.02/ 75% | ₱50,000.00 | ₱37,500.00 | ₱50,000.00 | ₱12,500.00 |
| b. Community Aid and Reach Out Intervention | 19.02/ 75% | 1,250,000.00 | 937,500.00 | 1,250,000.00 | 312,500.00 |
| c. Enrollment of BHWs/ Health Workers to PhilHealth | 15.73/ 75% | 250,000.00 | 187,500.00 | 250,000.00 | 62,500.00 |
| d. Blood Donation Program | 19.02/ 75% | 50,000.00 | 37,500.00 | 50,000.00 | 12,500.00 |

| PPAs | HGDG Score & Equivalent Percentage | Project Budget | Attributed Amount | | Difference |
|--|------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | | | Per Audit | Per GPB | |
| | (a) | (b) | (c)=(a)*(b) | (d) | (e)=(c)-(d) |
| e. Implementation of Anti-Smoking Ordinance | 19.68/ 75% | 50,000.00 | 37,500.00 | 50,000.00 | 12,500.00 |
| f. AICS | 19.02/ 75% | 1,000,000.00 | 750,000.00 | 1,000,000.00 | 250,000.00 |
| g. Operationalization of Day Care Service | 19.02/ 75% | 1,188,000.00 | 891,000.00 | 1,188,000.00 | 297,000.00 |
| h. Supplementary Feeding & Iron Supplemental for Pregnant Women and Malnourished Children | 19.02/ 75% | 150,000.00 | 112,500.00 | 150,000.00 | 37,500.00 |
| i. Conduct on Agricultural Data Base Survey | 18.02/ 75% | 100,000.00 | 75,000.00 | 100,000.00 | 25,000.00 |
| j. Gatas para sa Kalusugan ng mga Batang Loocnon | 17.02/ 75% | 200,000.00 | 150,000.00 | 200,000.00 | 50,000.00 |
| k. Conduct on the Guidance and Counselling and Values Reformation for Students & Responsible Parenthood Workshop | 18.02/ 75% | 100,000.00 | 75,000.00 | 100,000.00 | 25,000.00 |
| l. Sports Training for Elementary Teachers | 18.52/ 75% | 150,000.00 | 112,500.00 | 150,000.00 | 37,500.00 |
| m. Kasalang Bayan 2021 | 19.52/ 75% | 150,000.00 | 112,500.00 | 150,000.00 | 37,500.00 |
| n. Honorarium for GAD Focal Person | 15.02/ 75% | 24,000.00 | 18,000.00 | 24,000.00 | 6,000.00 |
| Total | | P4,712,000.00 | P3,534,000.00 | P4,712,000.00 | P1,178,000.00 |

From the above recomputation, the attributed amount to the GPB of ₱4,712,000.00 was overstated by ₱1,178,000.00 because the amounts indicated as attribution were actually the project budget instead of the product of the project budget times the equivalent percentage of the score derived from the Harmonized Gender and Development Guidelines (HGDG) Checklist. Hence, the GPB was deficient of ₱1,178,000.00 contrary to Item 4.1.C.1.1 of PCW-DILG-DBM-NEDA JMC No. 2013-01 dated July 18, 2013 requiring at least five percent of the total annual budget for GAD.

It should be noted that the extent of attributions that can be made to the GPB depends on the project budget and the gender responsiveness of the PPAs as explained in Item 4.1.C.4.5(a) of the same JMC No. 2013-01:

“To gradually increase the gender-responsiveness of LGU programs and projects, the LGU may attribute a portion or whole of their budgets to the GAD budget supporting gender-responsive PPAs. To facilitate this, the LGU shall conduct a gender analysis of their programs and projects through the administration of the HGDG.”

(Emphasis supplied)

Further, the municipality has a supplemental budget thereby increasing the GAD budget by ₱320,389.08 to ₱6,281,485.98. However, they did not allocate a full five percent for GAD-related PPAs in the Supplemental Budget No. 01-2021 as approved by SB Resolution No. 157-2021, computed as follows:

| | |
|--|---------------------------|
| | Amount |
| Supplemental Budget | ₱6,792,248.61 |
| Times rate | 5% |
| Expected supplemental to the GPB | <u>339,612.43</u> |
| Amount allocated for GAD: | |
| a) GAD Training to LGU Employees | ₱ 220,389.08 |
| b) Community Aid and Reach Out Intervention (CARI) | 100,000.00 |
| Total Amount | <u>320,389.08</u> |
| Deficiency | <u>₱ 19,223.35</u> |

Also, the program CARI was presented only as an attribution to the GPB. Following the computation for attribution, the program would only have ₱75,000.00 attributed amount to the GPB that would increase the above-computed deficiency to ₱44,223.35 thereby falling short in the requirement of Item 4.1.C.1.1 of the same JMC No. 2013-01 requiring at least five percent of the total annual budget for GAD.

9.2. 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.

Interview with the GAD Focal Person disclosed that as at December 31, 2021, the municipality has yet to establish a GAD Database. However, she commented that the necessary equipment for storage and database were already procured. The next concern that they will address is the selection and capacity training of personnel and coordination with various agencies in order to establish an operational database.

We hereby reiterate the importance of GAD database as stated in Item 4.B.1 of the PCW-DILG-DBM-NEDA JMC No. 2013-01 which says that:

“[The] LGUs, through their Local Planning and Development Offices (LPDO), shall spearhead the setting up and maintenance of **the GAD database to serve as basis for gender-responsive planning, programming and policy formulation.** The GAD database, which can either be manually operated or developed through software, shall form part of the overall management information system (MIS) of the LGU.” (Emphasis supplied)

The data and information in the database will serve as inputs in determining what kind of interventions for women empowerment and gender equality at the local level will be employed. In its absence, the municipality was not ensured that the PPA's incorporated in the GPB and policies issued relative to GAD fully address the gender issues in the locality.

9.3. 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.

We commend the GAD Focal Person for the submission of GAD Accomplishment Report to the audit team on January 31, 2022, or five days ahead of the deadline. However, for the GPB, it was submitted only on June 9, 2021 or 320 calendar days after it has been reviewed and endorsed by the DILG on July 24, 2020, thereby incurring delay of 310 calendar days. Late submission of the GPB is inconsistent with Item V of COA Circular No. 2014-001 dated March 18, 2014 which states that:

“The Audited agency shall submit a copy of the Annual [GPB] to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices as the case maybe [DILG in the case of LGU]. xxx xxx”

We would like to underscore that the GFPS should observe timely submission of the GPB in order to facilitate the timely review thereof by the audit team.

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.**

Management's Comment

The GAD Focal Person, in her letter dated June 17, 2021, commented that she will amend the GPB for CY 2022 and will correct the GPB for CY 2023. She also promised compliance with the other audit recommendations.

Local Disaster Risk Reduction and Management Fund (LDRRMF)

10. Classifications of PPAs in the LDRRMF Investment Plan (LDRRMFIP) were inconsistent with the Annual Investment Plan (AIP) contrary to the definitions stated in page 23 of the Budget Operations Manual thereby casting doubts on the accuracy of the submitted reports.

Review of the Annual Budget for CY 2021 disclosed that the municipality has properly appropriated a total amount of ₱5,961,096.90 for the LDRRMF. Of that amount, ₱4,172,767.83 was earmarked for Mitigation Fund (MF) and ₱1,788,329.07 for Quick Response Fund (QRF) in compliance with Section 21 of R.A. No. 10121 requiring at least five percent of the total estimated revenue from regular sources for LDRRMF and shall be distributed as 70 percent MF and 20 percent QRF.

However, verification of the pertinent documents disclosed that there were inconsistencies in the classification of PPAs between the LDRRMF Investment Plan (LDRRMFIP) and Annual Investment Program (AIP) as presented in the next page:

| PPAs | Amount | Classification in the | |
|--|----------------------|------------------------|---|
| | | LDRRMFIP | AIP |
| 1.DRR Supplies and Materials | ₱65,000.00 | Capital Outlay (CO) | Maintenance and Other Operating Expenses (MOOE) |
| 2.Purchase of Drone Camera | 150,000.00 | MOOE | CO |
| 3.Purchase of CCTV Camera and Other Accessories | 290,000.00 | MOOE | CO |
| 4.Upgrading of Slope Protection of Municipal Fire Station | 800,000.00 | MOOE | CO |
| 5.Construction of MDRRM Vehicle Center | 1,000,000.00 | MOOE | CO |
| 6.Rehabilitation of Operation Center | 200,000.00 | MOOE | CO |
| Total | ₱2,505,000.00 | | |

As can be gleaned from above, PPA 1 was classified as CO in LDRRMFIP while it was classified as MOOE in the AIP. The same goes with PPAs 2-6 whereby LDRRMFIP classified them as MOOE while AIP showed them as CO.

It should be noted that page 23 of the Budget Operations Manual defined MOOE as goods or services necessary for the conduct of normal operations and will be used within the budget year. On the other hand, CO refers to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the asset of the local government unit concerned.

Therefore, the AIP has the correct classification since PPA 1 refers to supplies and materials usually consumed in the normal operations within the fiscal year and PPAs 2-6 refer to procurement, installation or construction of assets with useful life of more than a year and add up to the asset of the municipal government.

With the foregoing, we recommended and it was agreed that the Municipal Mayor together with the Municipal Budget Officer and LDRRMO, will see to it that the classification in the LDRRMFIP and AIP is consistent and correct.

Development Fund

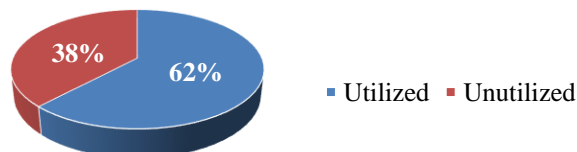
11. Eight PPAs with total appropriations of ₱16,349,403.02 were not implemented as at year-end contrary to Item 4 of JMC No. 1 dated November 4, 2020 of the Department of Budget and Management (DBM), Department of Finance (DOF) and Department of the Interior and Local Government (DILG) thereby depriving the constituents of benefits that could be derived therefrom.

Review of the Annual and Supplemental Budgets for CY 2021 disclosed that the municipality properly appropriated an amount of ₱21,990,667.60 for the 20 percent Development Fund in compliance with Section 287 of R.A. No. 7160 which requires

that no less than 20 percent of the Internal Revenue Allotment (IRA) shall be appropriated for developmental projects.

The said fund was originally allocated to six PPAs as incorporated in the Annual Investment Plan (AIP) for CY 2021. These PPAs were later on realigned to other priority PPAs. As at December 31, 2021, the municipality has utilized a total amount of ₱13,667,308.92 which translates to a relatively high fund utilization rate of 62 percent, as illustrated below:

2021 Fund Utilization Rate



Further verification, however, of the quarterly reports and the vouchers charged against the Development Fund revealed that out of the 22 PPAs charged to the current year fund, seven were completed; nine were already procured; three were still ongoing; and three were not yet implemented as at December 31, 2021. A total of ₱3,437,500.00 remained unimplemented, broken down as follows:

| PPAs | Appropriations | Utilization | Remarks |
|---|----------------|--------------|---|
| <i>From CY 2021 Annual Budget</i> | | | |
| 1. National Development Programs, Projects and Activities (PPAs) Counterpart Fund | ₱ 1,500,000.00 | ₱0.00 | Not Implemented/ Reserved for KALAHI Counterpart Projects |
| 2. Installation of Municipal Street Lighting System | 690,667.60 | 548,024.00 | Completed |
| 3. Rehabilitation and Raising of Municipal Road Phase 12 (Portion of Tirol and Gabuna Street) | 4,500,000.00 | 4,020,873.86 | On-going |
| <i>Realignment through SB Resolution No. 156-2021</i> | | | |
| 4. Concreting of Core Local Road in SitioTangguya 02, Manhac | 1,000,000.00 | 999,959.10 | Completed |
| 5. Concreting of Core Local Road in Sitio Sampaguita, Guinhaya-an | 2,000,000.00 | 1,999,208.40 | Completed |
| <i>Realignment through SB Resolution No. 176-2021</i> | | | |
| 6. Rehabilitation of Slope Protection at Sitio Agpacol, Barangay Agojo | 116,800.00 | 112,550.00 | Completed |

| PPAs | Appropriations | Utilization | Remarks |
|--|------------------------|-----------------------|--|
| 7. Rehabilitation of Sitio Balinsasayao Access Road, Barangay Buenavista | 290,000.00 | 287,736.00 | Completed |
| 8. Construction of Hanging Bridge at Sitio Grande, Barangay Limon Sur | 2,000,000.00 | 0.00 | On-going |
| 9. Rehabilitation of Pili Access Road, Barangay Pili | 2,000,000.00 | 0.00 | On-going |
| 10. Rehabilitation of Sitio Little Camandag Access Road, Barangay Camandag | 600,000.00 | 597,994.69 | Completed |
| 11. Rehabilitation of Water Facility-Water Pipeline in Barangay Agojo | 55,700.00 | 54,600.00 | Completed |
| 12. Kalahi-Cidds Development Projects Counterpart Fund | 937,500.00 | 0.00 | Not Implemented/ Reserved for KALAH counterpart projects |
| 13. Acquisition of Transformer for Materials Recovery Facility in Punta | 300,000.00 | 185,000.00 | Procured |
| <i>Realignment/Reprogrammed through MDC Resolution No. 14 CY 2021</i> | | | |
| 14. Rehabilitation of Limon Norte Multi-Purpose Building | 1,000,000.00 | 0.00 | Not Implemented |
| <i>Realignment through SB Resolution No. 168-2021</i> | | | |
| 15. Food Assistance and Other Relief Goods for Affected Persons | 3,300,000.00 | 3,246,930.65 | Procured |
| 16. Procurement of Kits for Covid-19 Testing | 300,000.00 | 320,000.00 | Procured |
| 17. Fuel for Vehicles of Frontliners | 500,000.00 | 493,880.45 | Procured |
| 18. Other Supplies and Materials Expenses | 150,000.00 | 139,379.20 | Procured |
| 19. Electricity Expenses | 200,000.00 | 173,377.57 | Procured |
| 20. Procurement of Medical/Laboratory Supplies | 350,000.00 | 328,991.00 | Procured |
| 21. Procurement of Disinfecting Supplies and Equipment | 150,000.00 | 114,586.00 | Procured |
| 22. Other Necessary Covid-19 Related PPAs and Expenses | 50,000.00 | 44,218.00 | Procured |
| Total | ₱ 21,990,667.60 | ₱13,667,308.92 | |

Additionally, five PPAs of the continuing appropriations totaling ₱12,911,903.02 remained unimplemented as at December 31, 2021, as shown in the next page:

| PPAs | Appropriations | Remarks |
|---|-----------------------|---|
| <i>Realignment through SB Resolution No. 179-2021</i> | | |
| 1. Construction of Sanitary Landfill Facilities | P5,000,000.00 | Not Implemented/ Construction will commence only after the land intended for the landfill is acquired. |
| <i>Realignment through SB Resolution No. 156-2021</i> | | |
| 2. Concreting of Local Access Road on Sitio Tabok in Manhac | 154,837.16 | Not Implemented |
| <i>Continuing Projects for CY 2020</i> | | |
| 3. National Developments PPAs Counterpart Fund | 500,000.00 | Not Implemented/ Reserved for KALAH I counterpart projects |
| <i>Realignment/Reprogrammed through MDC Resolution No. 05 CY 2019</i> | | |
| 4. Land Acquisition for Sanitary Landfill | 3,000,000.00 | Not Implemented/ On-going preparations of documents for the acquisition of the new land. |
| <i>Continuing Projects for CY 2017</i> | | |
| 5. Kalahi-CIDSS-NCD Development Projects Tire 2 – LGU Component | 1,404,380.86 | Not Implemented/ Reserved for KALAH I counterpart projects. |
| Total | P10,059,218.02 | |

Based on the submitted status report for the 1st quarter of the year 2022, the above-noted ongoing PPAs were already completed in the 1st quarter while the project Rehabilitation of Limon Norte Multi-Purpose Hall was already started in January 2022. Other PPAs noted as unimplemented remained as such in the said quarter.

We would like to emphasize that it is the responsibility of the Municipal Mayor and other officials concerned to ensure that the Development Fund is optimally utilized in order to spur economic activity and to be able to achieve the desirable socio-economic targets and outcomes pursuant to Item 4 of the DBM-DOF-DILG JMC No. 1, s. 2020. Failure to fully implement the identified PPAs defeated the purpose for which the fund was established and deprived the constituents of early and maximum benefits that they could gain 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.

Management's Comment

The Municipal Engineer, in his letter dated June 27, 2022, commented that the four noted unimplemented PPAs were reserved for KALAH I counterpart projects. The

Municipal Mayor added that these projects will be implemented in CY 2023 based on the KALAHÍ calendar of activities.

The Engineer also replied that the PPAs involving the establishment of sanitary landfill were not implemented because the owner of the lot previously approved by the Mines and Geoscience Bureau (MGB) opted to sell the whole ten hectares of his lot instead of the only three hectares as previously agreed upon. Hence, the municipality looked for another available lot. They have found a new one and it was already inspected by the MGB MIMAROPA. Documents are now being processed for the acquisition of the said lot.

Net Take Home Pay

12. Net take home pay of 26 and 29 municipal employees for the months of June and December 2021, respectively, was lower than the ₱5,000.00 threshold due to accommodation of numerous deductions contrary to Section 49 of the General Provisions of the General Appropriations Act (GAA) of fiscal year (FY) 2021 thus, may affect the morale and job performance of the employees concerned.

Section 47 of the General Provisions of the GAA of FY 2021 dated December 28, 2020, provides to wit:

***Authorized Deductions.** Deductions from salaries and other benefits accruing to any government employee, chargeable against the appropriations for Personal Services, may be allowed for the payment of an individual employee's contributions or obligations due to the following:*

- a) The BIR, PHILHEALTH, GSIS and HDMF;*
- b) Non-stock savings and loan associations and mutual benefits associations duly operating under existing laws and cooperatives which are managed by and/or for the benefit of government employees;*
- c) Associations or provident funds organized and managed by government employees for their benefit and welfare;*
- d) GFIs authorized by law and accredited by appropriate government regulating bodies to engage in lending;*
- e) Licensed insurance companies; and*
- f) Thrift banks and rural banks accredited by the BSP.*

Obligations due to the BIR, contributions or obligations due to the PhilHealth, GSIS and HDMF shall be satisfied ahead of all other obligations. The remaining obligations due to other entities listed above shall be satisfied in the order in which they were incurred.

In no case shall the foregoing deductions reduce the employee's monthly net take home pay to an amount lower than Five Thousand Pesos (P5,000)."
(Emphasis supplied)

However, post-audit of payroll for the months of June and December 2021 revealed that 26 and 29 municipal employees, respectively, have been receiving monthly net take home pay of less than the P5,000.00 threshold due to accommodation of numerous deductions for loan amortizations. Thus, it is likely that the morale and job performance of the employees concerned may be affected.

It must be emphasized that should the deductions bring the monthly pay to less than P5,000.00 threshold, the mandatory deductions shall be prioritized and in no case shall the net take home pay be lower than the threshold by observing the order of preference and incurrence as stated in the above-quoted provision.

We recommended that the Municipal Mayor instruct the HRMO to limit the payroll deductions following the order of preference and incurrence as provided for in the GAA and henceforth ensure that the employee's net take home pay is not less than the mandatory minimum amount.

Management's Comment

The Human Resource Management Officer, in her letter dated June 22, 2022, replied that they have been implementing a threshold of P3,000.00 because they have become aware of the P5,000.00 threshold set forth by the GAA only after the issuance of the audit finding. But she assured that the noted employees were interviewed and assessed as to the necessity and urgency of their loan application in cognizance of their low salary net take home pay. Nonetheless, during the Exit Conference, it was said that the Municipal Mayor will issue an office order to effect the P5,000.00 threshold.

Local Council for the Protection of Children (LCPC)

For CY 2021, the municipality has appropriated one percent of IRA amounting to P1,099,533.38 for LCPC pursuant to the Budget Operations Manual for Local Government Units, 2016 Edition. Of said amount, P842,989.00 was utilized during the year.

Compliance with Tax Laws

The municipality withholds income tax on compensation of the officials and employees in compliance with existing rules and regulations.

Due to GSIS, Pag-IBIG, and PhilHealth

For CY 2021, the municipality withheld dues and remitted them to GSIS, Pag-IBIG, and PhilHealth generally within the reglementary period. Monthly withholding and remittances were as follows:

| Period | Due to GSIS | | Balance |
|-------------------|-----------------------|-----------------------|---------------|
| | Debit | Credit | |
| Beginning Balance | | | ₱767,598.74 |
| January | ₱653,341.29 | ₱878,709.33 | 992,966.78 |
| February | 873,656.72 | 878,713.01 | 998,023.07 |
| March | 1,654,149.52 | 1,656,440.47 | 1,000,314.02 |
| April | 890,836.28 | 1,069,887.54 | 1,179,365.28 |
| May | 903,523.59 | 913,002.64 | 1,188,844.33 |
| June | 1,777,818.38 | 885,943.11 | 296,969.06 |
| July | 0.00 | 919,032.95 | 1,216,002.01 |
| August | 921,530.79 | 934,141.57 | 1,228,612.79 |
| September | 1,878,952.16 | 948,333.80 | 297,994.43 |
| October | 0.00 | 948,341.78 | 1,246,336.21 |
| November | 1,891,527.55 | 962,131.21 | 316,939.87 |
| December | 0.00 | 1,140,952.54 | ₱1,457,892.41 |
| Total | ₱11,445,336.28 | ₱12,135,629.95 | |

| Period | Due to Pag-IBIG | | Balance |
|-------------------|----------------------|----------------------|-------------|
| | Debit | Credit | |
| Beginning Balance | | | ₱15,488.65 |
| January | ₱19,500.00 | ₱187,610.80 | 183,599.45 |
| February | 169,205.49 | 193,425.34 | 207,819.30 |
| March | 342,109.71 | 335,315.83 | 201,025.42 |
| April | 94,521.80 | 223,082.55 | 329,586.17 |
| May | 342,445.55 | 173,922.92 | 161,063.54 |
| June | 165,356.47 | 195,685.03 | 191,392.10 |
| July | 178,916.97 | 201,816.44 | 214,291.57 |
| August | 221,733.24 | 203,514.50 | 196,072.83 |
| September | 185,768.95 | 191,666.93 | 201,970.81 |
| October | 188,302.98 | 185,822.83 | 199,490.66 |
| November | 185,822.83 | 182,142.88 | 195,810.71 |
| December | 201,642.88 | 226,492.48 | ₱220,660.31 |
| Total | ₱2,295,326.87 | ₱2,500,498.53 | |

| Period | Due to PhilHealth | | Balance |
|-------------------|--------------------|----------------------|-------------|
| | Debit | Credit | |
| Beginning Balance | | | ₱8,678.25 |
| January | ₱66,726.99 | ₱82,946.59 | 24,897.85 |
| February | 886.85 | 85,838.44 | 109,849.44 |
| March | 144,684.27 | 159,000.28 | 124,165.45 |
| April | 69,226.24 | 83,817.75 | 138,756.96 |
| May | 135,875.57 | 85,143.96 | 88,025.35 |
| June | 67,502.41 | 82,917.86 | 103,440.80 |
| July | 67,677.82 | 83,220.46 | 118,983.44 |
| August | 0.00 | 83,973.96 | 202,957.40 |
| September | 68,027.11 | 83,566.46 | 218,496.75 |
| October | 68,023.48 | 83,448.50 | 233,921.77 |
| November | 224,202.94 | 86,208.69 | 95,927.52 |
| December | 70,201.47 | 83,865.21 | ₱109,591.26 |
| Total | ₱983,035.15 | ₱1,083,948.16 | |

Status of Audit Suspensions, Disallowances, and Charges

As at December 31, 2021, the unsettled audit disallowances of the municipality amounted to ₱2,970,921.57 as shown in the Statement of Audit Suspensions, Disallowances and Charges (SASDC), details as follows:

| | Beginning Balance (January 1, 2021) | January 1 to December 31, 2021 | | Ending Balance (December 31, 2021) |
|------------------------|--|-----------------------------------|---------------|---------------------------------------|
| | | NS/ND/NC | NSSDC | |
| Notice of Suspension | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 |
| Notice of Disallowance | 2,970,921.57 | 0.00 | 0.00 | 2,970,921.57 |
| Notice of Charge | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | ₱2,970,921.57 | ₱ 0.00 | ₱ 0.00 | ₱ 2,970,921.57 |

No copies yet of the Notices of Finality of Decision were received from the Commission Proper pursuant to Section 2(e), Rule XIII of the 2009 Revised Rules of Procedure of the Commission on Audit dated September 15, 2009.