

EXECUTIVE SUMMARY

A. Introduction

1. Talacogon is a second class municipality in the Province of Agusan del Sur. It was created in 1872 by virtue of a Royal Decrees as Pueblo Mayor, when Agusan was not yet divided and was still part of Surigao under the governorship of Manuel Boscosa. Due to the destruction wreaked by World War II, no available record of its official recognition is available. It is considered as one of the oldest towns in the defunct Agusan Province.
2. The audit was conducted in accordance with applicable legal and regulatory requirements, and the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
3. The audit covered the accounts and operations of the municipal government for the year 2018 and was aimed at ascertaining the propriety of financial transactions, management's compliance to prescribed rules and regulations and the fairness of the presentation of financial statements. Value for money audit was also conducted on the selection and implementation of projects funded out of the Bottom-Up Budgeting, Local Disaster Risk Reduction and Management Fund and 20% development fund – to determine whether the objectives of the projects were attained in the most efficient, effective and economical manner.

B. Financial Highlights

4. a) Comparative Financial Position and Results of Operations

Particulars	2018	2017
Assets	420,962,474.72	333,055,006.01
Liabilities	156,748,090.25	156,468,815.93
Government Equity	264,214,384.47	176,586,190.08
Revenue	176,895,689.60	165,519,836.28
Expenses	175,131,021.34	150,701,473.43
Net Income	12,852,459.00	25,379,930.08

b) Comparative Sources and Application of Funds

Particulars	2018	2017
Appropriations	271,879,152.49	165,560,539.57
Allotments	225,170,170.30	165,543,123.75
Obligations	216,638,080.90	156,042,981.23
Funds received from other agencies	42,715,009.75	45,429,962.81
Funds received from NGOs/POs	0.00	0.00
Funds transferred to other agencies	0.00	0.00
Funds transferred to NGOs/POs	0.00	0.00

C. Audit Opinion

5. The Audit Team Leader rendered a qualified opinion in the fairness of presentation of the financial statements of the Municipality of Talacogon for CY 2018 because of the following reason:

- i. The failure of the Inventory Committee to conduct comprehensive physical inventory taking, failure of the Municipal Accounting Office (MAO) and Municipal General Services Office (MGSO) to maintain Property, Plant and Equipment Ledger Cards and Property Cards, respectively, and the non-reconciliation of the property and accounting records renders the year-end balance of Property, Plant and Equipment accounts totalling Php366,135,168.96 unreliable.

D. Summary of Significant Observations and Recommendations

6. For the above-mentioned audit observation which has caused the issuance of a qualified opinion, we recommended that Management:

- i. Instruct the Inventory Committee to conduct a complete physical inventory of all PPE and to the MGSO and the MAO to give priority in maintaining property and ledger cards to aid in their regular reconciliation to come up with the accurate Property, Plant and Equipment account balance.

7. The other significant audit observations and recommendations are as follows:

- i. Some of the Revenue Collectors of the Municipality continue to incur delays in remitting collections to the Liquidating Officer contrary to Section 26 of COA Circular No. 92-382 dated July 3, 1992, thus exposing such funds to possible loss and/or misappropriation.

We recommended that the Management direct the Municipal Treasurer to act as head of the treasury and do her responsibility to strictly safeguard the cash and ensure prompt remittance of the amount collected in order to account what rightfully belongs to the government and institute the necessary appropriate action, if warranted, by the circumstances.

- ii. Taxes withheld were remitted to the Bureau of Internal Revenue (BIR) thru manual payments to the Revenue District Officer (RDO) or Collecting Agent assigned to the Municipality contrary to BIR Revenue Regulations (RR) No. 5-2015 dated March 17, 2015, thus making the Municipality non-compliant with existing tax laws and regulations.

We recommended that the Management direct the office in charge of filing and paying tax returns to comply with the regulations set forth in BIR RR No. 5-2015.

- iii. Withheld premiums, contributions and loan amortizations to GSIS and HDMF from the compensation of officials and employees of the Municipality were not remitted on time contrary to Section 69 of PD 1445, consequently may forbid the official and employees to further avail of programs and services provided by these government instrumentalities.

We recommended that the Management direct the Municipal Treasurer and Municipal Accountant to install a scheme to facilitate the timely remittance of withheld amount so as not to deprive the officials and employees of further benefits and to avoid the burden of any surcharges and interests not due to them.

- iv. The Municipality still failed to regularly submit the Report of the Sources and Utilization of the Local Disaster Risk Reduction Management Fund (LDRRMF) to the Office of the Auditor within fifteen (15) days after the end of each month contrary to Section 5.1.5 of COA Circular No. 2012-002, thus hindered the conduct of its timely review and evaluation.

We recommended that the Management require the LDRRMO to regularly submit the Report on the Sources and Utilization duly prepared and certified correct by the Municipal Accountant to the Office of the Auditor so that any deficiency noted therein is promptly communicated to the management.

- v. The Contracts and copies of delivery documents for the Procurement of Two Unit Rescue Vehicles and the Procurement of One Unit Rescue Boat amounting to Php1,789,500.00 and Php1,526,000.00, respectively, were not furnished to the Auditor contrary to COA Circular 2009-001 and 2009-002, thus affects the review and evaluation of these transactions.

We recommended that the Management employs means to ensure that all contracts are submitted to the Office of the Auditor within five (5) working days from the perfection thereof and require the personnel in-charge to submit the delivery documents within 24 hours after acceptance pursuant to the above-mentioned regulations.

- vi. The Net take home pay below the statutory net pay of Php5,000.00 per month were allowed to the Municipality's employees not in accordance with Section 48 of the General Provisions of RA 10964 or the General Appropriations Act (GAA) for CY 2018, thus may affect the effective and efficient performance of the employees in rendering public service.

We recommended that the management strictly comply with the provisions stipulated in the GAA pertaining to the prescribed minimum net take home pay of the employees to promote effective and efficient public service by ensuring that government personnel have enough to support their daily needs until the next payday.

- vii. The Municipality failed to allocate funds for the proper operation and maintenance of the completed Philippine Rural Development Project (PRDP) subproject contrary to Sec. 7.06 of the Implementation Management Agreement (IMA), thus affecting its sustainability and increasing the risk of disrepair.

We recommended that the Municipal Project Management and Implementation Unit (MPMIU) revisit the Implementation Management Agreement (IMA) and cause the Municipality's compliance with the post-implementation activities of the project. Also, they should monitor the proper operation and maintenance of the project for its sustainability and efficient use.

- viii. The Management failed to fully implement the establishment of OTOP Store Express, a 2016 BUB – DTI financed project, amounting to Php1,650,000.00, thus deterring the purpose of enabling communities to develop and promote entrepreneurial mindset to aid in poverty alleviation.

We recommended that the Management direct the concerned personnel to fast track the completion of the establishment of the OTOP store express and monitor its compliance with the requirements provided in the MOA.

- ix. Five (5) completed Grassroots Participatory Budgeting (GPB), formerly known as Bottoms-up Budgeting (BUB), projects/programs totalling to Php2,280,000.00 had already stopped its operation, thus depriving the community of the benefits derived from these programs and defeating the very purpose of its establishment which is to aid in poverty reduction.

We recommended that the Local Poverty Reduction Action Team (LPRAT) perform its responsibility and revisit the plan of each project and introduce reinforcements to revive its operation.

- x. Twenty-five (25) priority projects funded out of the 20% Local Development Fund were for the repairs and maintenance, thus not in accordance with the purpose for which the fund was created.

We recommended that the Management direct the Municipal Development Council to identify priority projects that are investment and

capital expenditure in nature and to adhere to the guidelines set under Joint Memorandum Circular No. 2017-1 dated February 22, 2017 of the DILG and DBM in the appropriation and utilization of 20% Development Fund to ensure its optimal utilization. Moreover, the concerned office in the project implementation should be directed to closely monitor and to speed up the completion.

- xi. The Municipality failed to fully implement the disaster preparedness, prevention and mitigation and rehabilitation and recovery programs and projects for CY 2018, having an unutilized balance of Php1,700,458.70 or 31%, thus affecting the attainment of the purpose of building a disaster-resilient community.

We recommended that the Management closely monitor and efficiently implement the disaster preparedness, prevention and mitigation projects as targeted and planned to achieve the objective of building a disaster-resilient community.

- xii. The Municipality has appropriated only Php45,500.00 as Support to Ecological Solid Waste Management for CY 2018 consequently affecting the efficient and effective implementation of its 10 year Solid Waste Management Plan.

We recommended that the Municipal Solid Waste Management Board (MSWMB) do their duties and responsibilities especially in adopting revenue-generating measures to beat-up budget constraints of the Municipality and in closely monitoring the implementation of the 10-year plan in order to promote and ensure effective and efficient implementation of solid waste management projects and programs.

- xiii. Collection efficiency on Real Property Tax (RPT) and Special Education Tax (SET) were relatively low with delinquent taxes and penalties totalling Php18,318,432.54 as of December 31, 2018, hence depriving the Municipality of income that could have been used to finance more programs/projects for the people of Talacogon.

We recommended for the Management to:

- a. Direct the Municipal Treasurer or her deputies to exert effort in the collection of taxes and to enforce the remedies as provided for in the provision of law in order to realize revenue needed to finance developmental projects; and

- b. Require coordination between the Municipal Accountant and the Municipal Treasurer to reconcile their records to present fairly the financial statements.

E. Summary of Total Suspensions, Disallowances and Charges

8. Audit suspension and disallowances amounting to Php615,300.00 and Php387,391.08, respectively, remained unsettled contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

F. Statement on the quantity/number of recommendations implemented, partially implemented and not implemented for the current year.

9. Out of the 15 recommendations contained in CY 2017 Annual Audit Report, four (4) were fully implemented, three (3) were partially implemented, and eight (8) were not implemented