

EXECUTIVE SUMMARY

A. Introduction

1. The Municipality of San Agustin is a fourth-class municipality in the province of Surigao del Sur. It was created by virtue of Executive Order No. 27 on October 17, 1919. The Municipality is politically subdivided into 13 barangays. Presently, the Municipal Government is run under the administration of Hon. Libertad O. Alameda.
2. The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine Public Sector Standards on Auditing. 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 the financial statements.

B. Financial Highlights

4. Comparative Financial Position and Results of Operations

Particulars	2018	2017	Increase/ (Decrease)
Assets	209,945,583.63	227,253,294.53	(17,307,710.90)
Liabilities	88,798,961.07	101,069,980.79	(12,271,019.72)
Government Equity	121,146,622.56	126,183,113.74	(5,036,491.18)
Income	115,218,389.08	107,444,163.65	7,774,225.43
Operating Expenses	105,904,628.24	94,336,893.42	11,567,734.82
Subsidies/Grants	9,313,760.84	1,954,061.70	7,359,699.14
Net Income	14,903,689.26	11,153,208.53	3,750,480.73

5. Comparative Sources and Applications of Funds

Particulars	2018	2017	Increase/ (Decrease)
Appropriations	142,863,984.13	127,351,003.23	15,512,980.90
Allotment	142,863,984.13	127,351,003.23	15,512,980.90
Obligations	112,150,816.64	111,264,873.63	885,943.01

C. Audit Opinion

6. The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of San Agustin for CY 2018 in view of the failure of Municipality to reconcile the Report on Physical Count of PPE with the accounting records casted doubt on the correctness, existence and reliability of Property, Plant and Equipment (PPE) account balances totalling to ₱156,700,945.08 at December 31, 2018.

D. Summary of Significant Observations and Recommendations

7. For the above-mentioned audit observation which have caused the issuance of a qualified opinion, we recommended that Management direct the Inventory Committee to conduct complete physical count of Property, Plant and Equipment (PPE) and the Municipal Treasurer and Municipal Accountant to reconcile the accounting and treasury property records and immediately submit the Report of the Physical Count of Property, Plant and Equipment (RPCPPE) to the Office of the Auditor.

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

a. Real Property Tax (RPT) and Special Education Tax (SET) receivables were not set-ups at the beginning of the year which were not in conformity with Section 19 and 20, Volume I of NGAS for LGU, thus understated the receivables and deferred accounts.

We recommended that the Municipal Treasurer furnish the accounting office with a certified list of taxpayers with the stated amount due and collectible for the year to enable to set-up the RPT/SET Receivables at the beginning of each year and make necessary adjusting entries.

b. Dormant receivables amounting to P 815,546.63 that are long outstanding in the books were not acted upon to facilitate its write-off thus, resulting in an overstatement of the agency's assets in the same amount contrary to Item 8.2 of COA Circular 2016-005 dated December 19, 2016.

We recommended Management to direct the Municipal Accountant to document the request for the write-off of the dormant accounts and strictly adhere to the provisions of COA Circular 2016-005 dated December 19, 2016, to ensure the fair presentation of the account balances in the financial statements.

c. A 5-Year Business Plan for each LEE was not prepared contrary to Item 5.3 of Local Budget Circular (LBC) 111 – Manual on the Setting Up and Operation of Local Economic Enterprises thereby resulting to the LEEs inability to achieve self-sufficiency in its operation.

We recommended that Management prepare a 5-Year Business Plan for every Local Economic Enterprises (LEE) to provide a clear direction of the operation aimed towards financial viability and sustainability.

d. Lands owned by the Municipality amounting to P 4,134,923.67 were not registered under the Torrens Title System contrary to Section 148 of COA Circular No. 92-386, thus, resulting in the inadequacy of documents to prove ownership of the assets.

We recommended that Management follow-up its application for land titling to ensure that all lands owned by the LGU are registered under the Torrens Title System in pursuant to the provisions of Section 148 of COA Circular No. 92-386.

e. The Municipal Disaster Risk Reduction Management Office failed to submit the Report on 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.

We recommended that the Management employ measure to ensure compliance in the timely submission of the Sources and Utilization of the Local Disaster Risk Reduction Management Fund as required under Section 5.1.5 of COA Circular No. 2012 – 002. Moreover, we recommend that the LDRRM Officer coordinate with the Municipal Accountant to prepare the said report on a monthly basis.

f. Incomplete documentation of various fund transfers amounting to ₱5,700,000.00 precluded the Audit Team from ascertaining the validity of the transfers contrary to Section 4(6) of Presidential Decree No. 1445.

We recommended that Management ensure the completeness of documentary requirements before processing the fund transfers pursuant to the provision of Section 4(6) of P.D. 1445.

g. The Miscellaneous items under the Due to National Government Agencies(NGAs) account amounting to P5,132,913.98 remain untraced as of December 31, 2018, thereby casting doubt as to the accuracy and reliability of the reported amount on the books of accounts.

We recommended that Management direct the Municipal Accountant to prepare subsidiary ledgers for each trust liability and to reconcile the same to the reported amount on the book of accounts thereby fairly presenting the balances to the financial statement and to facilitate the reversion of the unexpended balance of the completed projects to the National Treasury for utilization to other developmental projects.

h. The Attributions of project, programs and activities in the GAD Plan and Budget is not supported by the gender analysis using the Harmonized Gender and Development Guidelines (HGDG) as provided in Section 3.0 of PCW-DILG-DBM-NEDA Joint Memorandum Circular 2016-01.

We recommended that the GAD Focal Point System adhere to the provisions of Section 3.0 of Section 3.0 of PCW-DILG-DBM-NEDA Joint Memorandum Circular 2016-01 and facilitate the conduct of gender analysis using the HGDG tool for gender-responsive PPAs through its GAD Focal Point System.

i. Registration and Tax Compliance Requirements were not applied to personnel hired under a Contract of Service or Job Order, and Casual Personnel whose gross receipts are ₱250,000.00 and below, contrary to Revenue Memorandum Circular No. 51-2018, depriving the government of the registration fees and taxes due and may result to the possible imposition of penalties and surcharges.

We recommended that Management:

- a. Instruct the HRMO to require the JO/COS to submit Tax Identification Number (TIN) and Annual Registration Fee (ARF) upon hiring and renewal of contracts, respectively;
- b. Require the Municipal Accountant to compute, withhold and remit the respective percentage taxes of JO/COS Personnel for CY 2018, as provided in RMC 51-2018 and other pertinent laws, rules and regulations;
- c. Capacitate the Municipal Accounting Personnel, by requiring them to attend seminars and trainings related to the latest updates on Tax and BIR Rulings.

j. The Municipality has not fully implemented its priority projects/programs funded under 20% Development Fund thus, its constituents were deprived of the vital services and benefits due them had the same been fully and properly implemented.

We recommended that the Municipal Engineer fast-track the preparation of the program of works and the Management to ensure the full implementation of its priority programs and projects that are envisioned to help in the attainment of socio-economic development and environmental outcomes.

E. Summary of total Suspensions, Disallowances, and Charges

9. Audit disallowances amounting to ₱ 2,887,580.01 remained unsettled as of December 31, 2018 contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

F. Compliance With Tax Laws

10. The Municipality has complied with tax laws by withholding 100 percent of the income taxes from their monthly payrolls and remitting the same to the Bureau of Internal Revenue (BIR) within the period prescribed by regulation. Moreover, value-added taxes (VAT) from goods and services procured were, likewise, withheld and remitted to the BIR regularly.

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

11. Monitoring of the implementation of 8 recommendations contained in CY 2017 Annual Audit Report revealed that 2 were fully implemented, 2 were partially implemented and four were not implemented.