

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Bauko became a regular municipality in 1911 by virtue of Philippine Organic Act No. 82. It is classified as a 4th class municipality and is composed of 22 barangays.

It derives its mandate from Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

The municipality shall be responsible for the delivery to its constituents of basic services and facilities, such as: agricultural services and facilities, health and services and facilities, social welfare services, information services, community-based forestry projects, construction and maintenance of infrastructure facilities, as well as for the provision of sites for police and fire stations, and municipal jails.

As of December 31, 2020, the Municipality has a total personnel complement of 204, composed of 10 elected officials, 3 ex-officio members of the Sangguniang Bayan, 97 permanent employees, 69 casuals and 25 job orders.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs).

The audit covered the operations of the Municipality of Bauko, Mountain Province for the calendar year 2020. A financial and compliance audit was conducted to examine the propriety of its transactions, and the reliability and accuracy of financial reports and books of accounts. A performance audit was included to determine whether agency objectives were attained in an economical, efficient and effective manner.

B. Financial Highlights

The comparative analysis of the agency's financial condition, sources and application of funds for calendar years 2019 and 2020 is as follows:

I. Comparative Status of Financial Condition

Particulars	2020	2019	Increase/ (Decrease)	%
Assets	₱132,847,912.98	₱126,991,468.93	₱5,856,444.05	4.61%
Liabilities	26,594,227.69	37,932,341.29	(11,338,113.60)	(29.89%)
Government Equity	106,253,685.29	89,059,127.64	17,194,557.65	19.31%

II. Comparative Sources of Funds

Particulars	2020	2019	Increase/ (Decrease)	%
Revenues	₱191,932,924.13	₱164,902,523.92	₱27,030,400.21	16.39%
Expenses	182,376,671.97	157,776,470.50	24,600,201.47	15.59%
Surplus	9,556,252.16	7,126,053.42	2,430,198.74	34.10%
Appropriations	158,727,795.22	133,760,756.62	24,967,038.60	18.67%

C. Operational Highlights

<i>Particulars</i>	<i>100% Accomplished</i>	
	<i>Qty.</i>	<i>Amount</i>
Implementation of various infrastructure projects funded from the 20% Municipal Development Fund	50	₱ 19,597,405.56
Implementation of various infrastructure projects funded from the 5% Municipal Disaster Risk Reduction and Management Fund	7	2,962,642.68
Construction and rehabilitation of buildings and rehabilitation/improvement of local access roads funded from the National Government Agencies	5	18,084,586.78
Total	62	₱ 40,644,635.02

D. Independent Auditor's Opinion on the Financial Statements

An unmodified opinion was rendered on the fairness of presentation of the financial statements of the Municipality as of December 31, 2020.

E. Summary of Significant Audit Observations and Recommendations

1. A special account in the general fund for the Bayanihan Grant to Cities and Municipalities (BGCM) was not created either through an ordinance by the local sanggunian or through inclusion in the pertinent appropriation ordinance authorizing a supplemental budget covering the BGCM contrary to Section 3.7 of the Local Budget Circular No. 125 dated April 7, 2020.

We recommended and Management agreed to create a special account in the general fund for the Bayanihan Grant to Cities and Municipalities for easy monitoring/tracking of the utilization of the allocation, pursuant to Section 3.7 of Local Budget Circular No. 125.

2. Procurements made on medicines, equipment, supplies and materials charged against the Bayanihan Grant in calendar year 2020 totaling ₱4,736,810.67 were not supported with complete documentation contrary to the provisions of Government Procurement Policy Board Circular No. 01-2020 dated April 6, 2020, and Section 6 of Presidential Decree No. 1445.

We recommended and Management agreed to submit the lacking documents and ensure that the required documents for emergency procurements (negotiated) are complete before payments are made in accordance with the provisions of the GPPB Circular No. 01-2020, to avoid disallowance; and to ensure that the Omnibus Sworn Statement is in accordance with the latest format prescribed in the same Circular.

3. Purchase Orders on various procurement of medicines, medical supplies, equipment and other Coronavirus Disease 2019 related programs, projects and activities totaling ₱2,708,955.00 were not dated by the suppliers upon acceptance contrary to Item 9.2 of COA Circular No. 2012-001 dated June 14, 2012; thus, it cannot be ascertained whether delivery of the items conform with the terms and conditions of the agreement.

We recommended and Management agreed to henceforth, ensure that the date of acceptance by the supplier in the conforme portion of the Purchase Order is indicated as basis for the imposition of penalty once the supplier failed to deliver it obligations.

4. Essential procurement procedures were not undertaken by the Municipality in the procurement of goods through negotiated procurement (emergency cases) amounting to ₱1,782,145.00 funded from the Bayanihan Grant contrary to GPPB Circular No. 01-2020 dated April 6, 2020.

We recommended and Management agreed to ensure that all the procedures under negotiated procurement (emergency cases) as required under GPPB Circular 01-2020 dated April 6, 2020 are undertaken and the required documents are prepared to prevent abuses and corruption in the procurement process.

5. The Municipality did not prepare the Summary/List of Donations Received, Distributed and Balances for in-kind donations, Report on the Receipt and Utilization of Cash Donations and Reports on the Receipt and Distribution/Issuance of In-kind Donations contrary to COA Circular Nos. 2014-002 and 2020-009, resulting in the difficulty of monitoring and evaluation of the status of aids and donations received during the quarantine period.

We recommended and Management agreed to henceforth, prepare the 1) Summary/List of Donations Received, Distributed and Balances for In-kind Donations; 2) Report on the Receipt and Utilization of Cash Donations; 3) Report on the Receipt and Distribution/Issuance of Donated Relief Goods; and 4) Report on the Receipt and Distribution/Issuance of Donated PPE; and furnish the same to the NDRRMC, through the OCD, copy furnished the Audit Team within ten working days after the end of each quarter pursuant to COA Circular Nos. 2014-002 and 2020-009.

6. The Municipality placed ₱2,800,000.00 of cash from the current account in a time deposit account contrary to the provisions of COA Circular No. 92-382 dated July 3, 1992.

We recommended and Management agreed to terminate the time deposit account and transfer the principal amount plus interest of ₱2,962,015.82 to the Cash in Bank-LCCA in the General Fund.

7. The Municipality maintains its time deposit in a non-authorized government depository bank contrary to Department of Finance Department Circular Nos. 001.2015 and 003.2015 dated June 1, 2015 and August 24, 2015, respectively.

We recommended and Management agreed to transfer its cash in bank account from the Philippine National Bank to the Land Bank of the Philippines in accordance with Items 5.2 and 6.1 of the Department of Finance Department Circular Nos. 001.2015 and 003.2015, respectively.

8. A delivery truck costing ₱2,300,000.00 was not turned over by the Municipality to the Proponent Group, hence, not being utilized exclusively for the purpose of carrying out the objective of the Potato Tuber Production and Marketing Enterprise project contrary to the Implementation Management Agreement between the Department of Agriculture and the local government unit, and pertinent provisions of the Philippine Rural Development Program Operations Manual I-REAP Component.

We recommended and Management agreed to turn over the delivery truck to the Proponent Group and ensure that this is utilized exclusively for the purpose of carrying out the objective of the project pursuant to Section 5.07.c of the Implementation Management Agreement between the Department of Agriculture and Municipal Local Government of Bauko, and pertinent provisions of PRDP Operations Manual I-REAP Component.

9. Four infrastructure projects with an aggregate contract cost of ₱7,078,382.78 were implemented beyond the contract duration, incurring delays ranging from 14 to 39 calendar days, resulting in the failure of the Municipality to deliver these projects to the public on time.

We recommended and Management agreed to require the project engineers to strictly monitor the implementation of the infrastructure projects to ensure that these are satisfactorily completed within the specified target completion dates in order for its constituents to enjoy the timely benefits that could be derived therefrom.

F. Summary of Total Suspensions, Disallowances and Charges

Audit disallowances amounting to ₱456,489.91 prior to the effectivity of the Rules and Regulations on the Settlement of Accounts (RRSA) and ₱1,445,296.10 after the issuance of the RRSA remained unsettled as at December 31, 2020.

G. Status of Implementation of Prior Years' Audit Recommendations

Of the 25 audit recommendations embodied in the CY 2019 Annual Audit Report, 17 were fully implemented, four were partially implemented, and four were not implemented by Management.