

EXECUTIVE SUMMARY

Introduction

The Municipality of Abuyog is a 1st class municipality under the 5th district of the Province of Leyte with 63 constituent barangays.

In CY 2020, the Local Government of Abuyog was under the administration of Mayor Lemuel Gin K. Traya while the legislative body, composed of eight Sangguniang Bayan Members, was headed by Vice-Mayor Octavio G. Traya, Jr.

An audit was conducted on the accounts of the Municipality covering the period January 1 to December 31, 2020 with particular emphasis on the audit thrusts as follows: the LDRRMF, 20% Development Fund, Cash in Bank and Bayanihan Grant to Cities and Municipalities (BGCM), among others. The audit was conducted to ascertain the propriety of financial transactions, the accuracy of financial records and reports as well as compliance of the agency with prescribed rules and regulations. It was also made to ascertain whether the programs as envisioned were attained in economical, efficient and effective manner. Likewise, the audit was conducted in accordance with International Public Sector Standards on Auditing.

The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, verification of financial accounts as well as evaluating the overall financial statement presentation. It also involves interview with concerned officials/employees and other audit procedures and techniques considered necessary under the circumstances.

Financial Highlights

The total assets, liabilities, equity, income and expenses of the Municipality of Inopacan for Calendar Year 2020 as compared with CY 2019 were as follows:

Particulars	CY 2020	CY 2019
Assets	₱ 978,348,137.93	₱913,990,332.51
Liabilities	141,190,747.69	145,090,220.97
Government Equity	837,157,390.24	768,900,111.54
Gross Income	310,779,828.49	279,304,145.16
Expenses	421,949,775.60	277,257,298.41

The appropriations, allotment and obligations of the Municipality for calendar year 2020 as compared with CY 2019, including funds received from national government agencies and other LGUs as well as funds transferred to other LGUs, were as follows:

Particulars	CY 2020	CY 2019
Appropriations, Allotments and Obligations		
Appropriations	₱ 358,318,157.41	₱ 308,376,496.41
Obligations	291,613,169.09	272,831,891.44
Funds Received from Other Agencies		
NGAs	100,042,000.00	2,023,237.54
LGUs	0.00	0.00
Funds Transferred to Other Agencies		
LGUs	1,224,000.00	3,400,000.00

Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements as of December 31, 2020 because the accuracy and existence of Property, Plant and Equipment (PPE) account with carrying value of ₱651,051,005.78 and Inventory account with a balance of ₱24,899,162.10 as of December 31, 2020 could not be ascertained in view of incomplete or failure to conduct physical count. Moreover, the following accounts were not accurately presented: (1) PPE account were overstated by ₱10,561,300.00 due to non-turnover of the LGU constructed projects to the recipient barangays; (2) Trust Liabilities was understated and the Equity account was overstated by ₱2,349,465.43 due to non-transfer of the unutilized 70% Mitigation Fund-MOOE and 30% Quick Response to Special Trust Fund; and (3) Cash was understated by ₱224,969.80 due to unrestored stale checks.

Summary of Significant Observations and Recommendations

In addition to the exceptions cited above, the significant observations and the corresponding recommendations were as follows:

- 1. There was no disclosure in the Notes to Financial Statements pertaining to the amount and details of the unexpended balance of Local Disaster Risk Reduction Management Fund (LDRRMF) amounting ₱6,298,199.43 despite the materiality and significance of such amount.**

We recommended that the Municipal Accountant disclose in the succeeding Notes to Financial Statements the details of the unexpended balance of the LDRRMF.

- 2. Disbursements made from Bayanihan Grant to Cities and Municipalities (BGCM) totaling P 21,822,754.33 were not supported with complete documentation.**

We recommended that the Municipal Accountant submit the unexpired Sales Invoice and ensure that the required necessary documents are always complete before certifying in the Disbursement Voucher to avoid suspension in audit.

We also recommended that the Acting Municipal Treasurer should stop accepting expired Sales Invoice for payments made by the LGU.

3. The Municipality did not prepare a Summary/ List of Donations Received, Distributed and Balances to account for all donations received during CY 2020.

We recommended that the Municipal Mayor issue a directive to the Department Heads of the Municipality to prepare a quarterly report on Summary/ List of Donations Received, Distributed and Balances on the donations that will be received by their offices in the future, including those received by the Mayor's Office, and submit the said report to the General Services Officer.

We also recommended that the General Services Officer prepare the Consolidated Summary/ List of Donations Received, Distributed and Balances based on the reports submitted by the Heads of Department and the Municipal Treasurer to prepare the same report if cash donations are received. The said report should be submitted to the NDRRMC, through the OCD, and copies should be furnished to the Municipal Accountant and the Audit Team.

4. Distributions of relief goods procured in response to COVID-19 pandemic were not properly accounted and adequately supported with the necessary documentary requirements.

We recommended that the Municipal Mayor with the assistance of the LDRRM Officer, MSWD Officer and Municipal Accountant, submit detailed distribution lists for all the relief goods distributed. Such distribution lists must be duly signed by the beneficiaries with details on the dates of distribution, items received and quantity of each items received supported with pictures during the distribution.

Also, we recommended that the Bids and Awards Committee, the Technical Working Group and Municipal Accountant to submit justification / explanation for the numerous deficiencies noted in the procurement of relief goods and submit the lacking documents.

Further, we recommended that the Bids and Awards Committee should strictly observe the procurement processes as outlined in the Revised Implementing Rules and Regulations (IRR) RA 9184 and GPPB issuances and see to it that the required data/information in the bidding/contract documents are complete.

5. Utilizations made out of the 30% Quick Response Fund of CY 2020 Appropriations for 5% LDRRMF for the procurement of supplies in

response to COVID-19 pandemic were not properly supported with the necessary documentary requirements.

We recommended that the Municipal Mayor require the members of the Bids and Awards Committee, the Technical Working Group and Municipal Accountant to submit justification / explanation for the numerous deficiencies noted in the procurement of supplies and submit the lacking documents.

We also recommended that the Bids and Awards Committee should strictly observe the procurement processes as outlined in the Revised Implementing Rules and Regulations (IRR) RA 9184 and GPPB issuances and see to it that the required data/information in the bidding/contract documents are complete.

- 6. No liquidated damages was imposed on the delayed delivery of 1 Unit Rescue Vehicle and 1 Unit Ambulance amounting ₱2,421,755.00 and ₱2,491,511.00, respectively while payments to supplier were made despite incomplete and improper documentation.**

We recommended that the Local Chief Executive should direct the concerned officials to comply with the requirements of Section 68 and Section 3 of Annex D of RA 9184 in imposing liquidated damages for late delivery against the Supplier.

We also recommended that the Bids and Awards Committee, the Technical Working Group, Municipal Accountant and LDRRM Officer should submit justification/explanation for the numerous deficiencies noted in the procurement of supplies and submit the lacking documents.

Further, we recommended that the BAC should strictly observe the procurement processes as outlined in the Revised Implementing Rules and Regulations (IRR) RA 9184 and GPPB issuances and see to it that the required data/information in the bidding/contract documents are complete.

- 7. Procurement of Cadaver Bags and Barangay Response Team Training Materials were not properly supported with the necessary documentary requirements.**

We recommended that the Local Chief Executive should direct the concerned officials to comply with the requirements of Section 68 and Section 3 of Annex D of RA 9184 in imposing liquidated damages for breach of contract and cause compliance of rules and regulations provided in the Procurement Manual for Local Government Units, thus, the imposition of liquidated damages from the Supplier.

We also recommended that the BAC, the Technical Working Group, Municipal Accountant and LDRRM Officer should submit justification / explanation for the

numerous deficiencies noted in the procurement of supplies and submit the lacking documents.

Further, we recommended that the BAC should strictly observe the procurement processes as outlined in the RIRR of RA 9184 and GPPB issuances and see to it that the required data/information in the bidding/ contract documents are complete.

8. Monthly Reports of Sources and Utilization of LDRRMF for CY 2020 were not submitted to the Audit Team.

We recommended that the Municipal Accountant and the LDRRMO should prepare and submit to the Audit Team the Monthly Report on Sources and Utilization of LDRRMF using the format in Annex B of COA Circular No. 2012-002 on or before the 15th day after the end of each month.

9. The RAAO for LDRRMF was not properly maintained as it did not contain revisions in the CY 2020 LDRRMF Investment Plan and no separate RAAO was maintained for QRF, Mitigation Fund-MOOE, Mitigation Fund-Capital Outlay and Continuing Appropriations, thus information that may derived therefrom is incomplete and unreliable.

We recommended that the Municipal Budget Officer properly maintain and meticulously monitor the RAAO by regularly updating the report for any revisions regarding the P/P/As and their corresponding appropriations and any additional obligations for the utilization of the fund.

We also recommended that the Municipal Budget Officer maintain separate RAAO for the following LDRRMF

- a.) 30% Quick Response Fund,
- b.) 70% Mitigation Fund – MOOE,
- c.) 70% Mitigation Fund – CO, and
- d.) Continuing Appropriations.

10. Payments totaling P441,000.00 made to a VAT Registered Hospital was not deducted and withheld with the required taxes.

We recommended that the Municipal Accountant and Municipal Treasurer strictly withhold the appropriate taxes from all payments made to LGU's suppliers and service providers.

11. The Municipality procured Fireworks amounting to ₱199,000.00 for the New Year Celebration which is deemed unnecessary.

We recommended that the Municipal Mayor, Acting Municipal Budget Officer, Municipal Accountant and Acting Municipal Treasurer stop charging and paying expenses unrelated to the implementation of the objectives and mission of the LGU and expenses which are intended for entertainment.

- 12. The share of the barangays from the basic real property tax collected by the Municipal Government totaling ₱500,191.57 were not remitted to the concerned barangays within five (5) days after the end of each quarter.**

We recommended that the acting Municipal Treasurer should release the RPT shares of the barangays and henceforth, remittance of the barangays' share should be made quarterly.

- 13. The Bids and Awards Committee (BAC) did not prepare the Procurement Monitoring Report (PMR) at the end of the first and second semester of Calendar Year 2020, and eventually failed to submit the same to the Government Procurement Policy Board.**

We recommended that the Local Chief Executive should require the BAC to prepare and submit the approved PMR to the GPPB in the prescribed format and within the deadline set in RA 9184.

- 14. Manual Payroll System of Payment is still practiced by the Municipality of Abuyog, contrary to DBM National Budget Circular No. 556 dated January 5, 2015, thus Disbursing Officer handled accumulated cash advances in a month from ₱5.9 million to ₱16.4 million.**

We recommended that the Municipal Mayor cause the implementation of a Payroll System to distribute salaries via Automated Teller Machines (ATMs).

We further recommended that the Municipal Mayor should limit cash advances granted to the Disbursing Officer within the limit of their maximum cash accountability or increase the fidelity bond sufficient to cover the maximum cash accountability.

Summary of Total Suspensions, Disallowances and Charges

The Municipality of Abuyog has no unsettled Notice of Charge as of December 31, 2020. However, balances of audit suspensions and disallowances as of the same period amounted to ₱4,815,225.85 and ₱97,283.39, respectively.

Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Of the 60 audit recommendations in the prior years' audit, 23 were fully implemented and 37 were not implemented.