

EXECUTIVE SUMMARY

Introduction

The Municipality of Ferrol was a former barangay of the Municipality of Odiongan. It was separated from the latter and became a municipality on June 11, 1978 by virtue of Presidential Decree No. 1492.

The Municipal Government continued to pursue its commitments to their constituents and still has its primary goal of providing basic services and facilities as enumerated in Section 17 (b) of Republic Act (R.A.) No. 7160.

The financial statements are consolidation of General Fund, Special Education Fund and Trust Fund. The Local Government Unit (LGU) maintains different accounts in the Trust Fund which are the PNB-Regular, DAR-ARCP2 Sub-projects, SALIN-TUBIG Program, BUB Account, MDRRM Fund, PhilHealth-Professional Fee and PhilHealth-HCI Charges.

Financial Highlights

For Calendar Year (CY) 2020 the Municipality generated a total income of P57,087,157 which is higher by P3,865,539 or 7.26% compared with last year's P53,221,618. The internal revenue allotment of P54,829,440 represents 96.05% of the total income. Other major sources of income are local taxes, service and business income.

The total assets, liabilities, government equity, income and expenses for CY 2020 compared with that of the preceding year are as follows:

	CY 2020	CY 2019	Increase/ (Decrease)
Total Assets	₱ 199,373,817	₱ 186,103,907	₱ 13,269,910
Total Liabilities	24,179,665	22,007,236	2,172,429
Total Equity	175,194,152	164,096,671	11,097,481
Total Income	57,087,157	53,221,618	3,865,539
Total Expenses	50,494,786	44,139,876	6,354,910

Scope of Audit

Financial and Compliance Audits were conducted on the accounts, transactions and operations of the Municipality of Ferrol for CY 2020. The audit was aimed to (a) determine whether Management presented fairly the financial statements in adherence to the International Public Sector Accounting Standards; (b) ascertain the level of assurance that may be placed on management's assertions in the financial statements; (c) evaluate

the extent of compliance with laws, rules and regulations as well as the propriety and validity of transactions; (d) recommend measures to improve the efficiency, and effectiveness of the agency's operations; and (e) determine the extent of implementation of prior years' audit recommendations.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Ferrol due to the delayed remittance of collections by the collecting officers to the ICO-Municipal Treasurer and late preparation of the Report of Collections and Deposits by the latter, thus, reporting of collections was delayed. As a result, the reported balance of Cash Local Treasury account as at December 31, 2020 and the corresponding income accounts were unreliable.

Significant Observations and Recommendations

For the exception cited earlier, we recommended that the ICO-Municipal Treasurer (i) require all the collectors to remit to her all their collections for the day and prepare the RCD at the close of the business day or on the next working day and (ii) demand the collecting officers for immediate remittance of all collections from previous months which were not yet turned over to her.

In addition, the following are the significant audit observations and recommendations in the audit of the Municipal Government of Ferrol for the year 2020:

1. The balance of the Inventory and Property, Plant and Equipment (PPE) (net of accumulated depreciation and excluding Construction in Progress) accounts as at December 31, 2020 amounting to ₱871,266.25 and ₱160,424,442.48, respectively, remained unreliable due to various deficiencies noted such as: (a) the failure of the Inventory Committee to submit a complete and accurate Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of PPE (RPCPPE); (b) the discrepancy between the Schedule of PPE and the Ledger balance of the Information and Communication Technology Equipment account; (c) the existence of unreconciled amount of PPE presented in the schedule of computation of depreciation for CYs 2012-2015; and (d) one time recognition of depreciation expense at the end of the year instead of monthly recording thereof contrary to the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I hence, the reliability of the amounts reflected in the financial statements could not be ascertained.

We recommended that the Municipal Mayor:

- a. require the Inventory Committee to conduct physical count of all inventories and PPEs of the Municipality and submit the corresponding report to the Audit Team; and

- b. instruct the Municipal Accountant to reconcile the resulting balance of the physical count with the accounting records in order to present the correct balances of said accounts in the financial statements and ensure the completeness of supporting documents before making adjustments.

In the event that deficiencies/discrepancies exist between the Inventory Report and accounting records, the necessary adjustments/corrections should be made. Also, require the Head of the Inventory Committee to make a report of unserviceable/non-functional PPEs in the Inventory and Inspection Report of Unserviceable Property which could be undertaken simultaneous with the physical inventory for disposal and eventual proper relief of accountabilities.

We also recommended that the Municipal Accountant recognize monthly depreciation expenses to properly reflect the correct carrying amount of the PPEs.

2. Various deficiencies were noted in the budgeting, utilization, recording and reporting of funds for Coronavirus Disease 2019 (COVID-19)-related projects, programs and activities (PPAs) which were sourced from Bayanihan Grant to Cities and Municipalities (BGCM), Local Disaster Risk Reduction and Management Fund (LDRRMF), 20% Development Fund (DF) and those received through donations as follows: (a) failure to enact an ordinance for the realignment and augmentation of funds for some COVID-19-related PPAs; (b) lapses in the procurement of COVID-19-related PPAs; and (c) failure of the Accounting Office to properly record the receipt of cash donations and disclose necessary information in the Notes to Financial Statements contrary to the provisions of Presidential Decree (PD) No. 1445, Government Procurement Policy Board (GPPB) Circular No. 01-2020, 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9184, COA Circular No. 2014-002, Department of Budget and Management (DBM) Local Budget Circular (LBC) No. 125, and COA Circular No. 2020-009. Consequently, the propriety of the disbursements is doubtful. Moreover, transparency on the receipt and utilization of the funds was not ensured.

We recommended that the:

- a. Local Development Council prepare the supplemental investment program for PPAs which are not included in the approved Annual Investment Program (AIP);
- b. Sangguniang Bayan ensure that ordinances are enacted for any realignment and augmentation of funds;
- c. BAC comply with the issuances of the GPPB and provisions of R.A. No. 9184 particularly on the submission of documentary requirements and posting requirements; and

- d. Municipal Accountant (i) submit the Driver's Trip ticket and Report of fuel consumption; (ii) properly record donations received by the Municipality in accordance with COA Circular No. 2014-002; and (iii) disclose in the Notes to Financial Statements the procurement, issuance and inventory of goods and property, plant and equipment procured by the Municipality including those acquired through donations either in cash or in-kind.
3. Deficiencies were noted in the utilization, accounting, and reporting on the 5% Local Disaster Risk Reduction and Management Fund (LDRRMF) of the Municipality as follows: (a) failure to incorporate in the Annual Investment Plan (AIP) the projects, programs and activities (PPAs) charged against the LDRRMF contrary to National Disaster Risk Reduction and Management Council, Department of Budget and Management and Department of the Interior and Local Government (NDRRMC-DBM-DILG) Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013; (b) realignments of appropriation for eight PPAs to another were not supported with an appropriation ordinance contrary to Section 321 of Republic Act (R.A.) No. 7160; (c) the amount charged from the CY 2019 unexpended Trust Liabilities-DRRMF for the project Repair/Rehabilitation of MDRRMC Operation Center was not included in the LDRRMF Investment Plan and AIP which is not in accordance with Commission on Audit (COA) Circular No. 2012-0002 dated September 12, 2012; (d) erroneous recording of cash donations received from the Office of the President amounting to ₱3,000,000.00 and; (e) failure to disclose in the Notes to Financial Statements the welfare goods procured totaling ₱325,500.00 as well as donations in-kind received by the Municipality. Accordingly, the propriety of the disbursements made relative thereto is doubtful. Likewise, transparency and accountability in the use of the disaster relief aid and/ or donations were not ensured.

We recommended that the Municipal Mayor direct:

- a. the MDRRMO to formulate a comprehensive LDRRMFIP to be integrated in the AIP;
 - b. Sangguniang Bayan to pass an appropriation ordinance for realignment of funds in the future; and
 - c. the Municipal Accountant to disclose in the Notes to Financial Statements information pertaining to the DRRM which is not evident on the face thereof.
4. The Bids and Awards Committee (BAC) incurred several lapses in the procurement of goods by the Municipality contrary to the provisions of the 2016 Revised Implementing Rules and Regulation (IRR) of Republic Act (R.A.) No. 9184 thus, affecting the regularity thereof.

We recommended that the Municipal Mayor direct the BAC to (i)scrutinize the documents submitted by the bidder and exercise diligence in the post-

qualification; (ii) ensure that the delivery date be indicated in the PO; and (iii) strictly adhere with the provisions of the 2016 Revised IRR of R.A. No. 9184 and issuances of GPPB.

Other observations are presented in Part II of the report. Management's views and reactions were considered in the report, where appropriate.

Summary of Audit Suspensions, Disallowances and Charges

Below is the summary of suspensions, disallowances and charges as at December 31, 2020:

Particulars	Beginning Balance (As at December 31, 2019)	This period (January 1 – December 31, 2020)		Ending Balance (As at December 31, 2020)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	1,026,000.00	0.00	808,916.65	217,083.35
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱1,026,000.00	₱ 0.00	₱808,916.65	₱217,083.35

Status of Implementation of Prior Years' Audit Recommendations

Of the 48 audit recommendations contained in the Annual Audit Report of the Municipality of Ferrol, Province of Romblon for CYs 2015 – 2019, 10 were fully implemented, 26 were partially implemented and 12 were not implemented.