

EXECUTIVE SUMMARY

Introduction

The Municipality of Vincenzo Sagun was created by virtue of Batas Pambansa Blg. 173 in 1965. It is classified as a 5th class municipality of the Province of Zamboanga del Sur with 14 barangays. It has a total land coverage of 6,569 hectares, most of which has been classified as agricultural.

To accelerate the social and economic growth, the municipality was able to implement various infrastructure projects such as concreting of municipal streets, rehabilitation of water systems and construction of drainage canal.

Audit objective

The objectives of the audit are to (a) ascertain the fairness of presentation of the financial statements; (b) ascertain the propriety of financial transactions and compliance with prescribed rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations. Performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures and management of resources.

Audit methodology

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated.

Scope of audit

An audit was conducted on the accounts and operations of the Municipality of Vincenzo Sagun, Province of Zamboanga del Sur for CY 2020. The audit consisted of review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, confirmation, inspection, and analysis of accounts, and such other procedures considered necessary in the rendition of appropriate audit opinion.

Financial Highlights *(in thousands of pesos)*

The financial condition and results of operation of the Municipality of Vincenzo Sagun, Province of Zamboanga del Sur as at December 31, 2020 with comparative figures for 2019 are summarized as follows:

Accounts	2020	2019	Increase/ Decrease
Assets	292,267	285,511	6,756
Liabilities	45,154	64,494	(19,340)

Equity	247,113	221,017	26,096
Revenue	99,154	90,239	8,915
Personnel Services	43,642	43,533	109
Maintenance and Other Operating Expense (MOOE)	37,913	26,342	11,571
Financial Expenses	78	284	(206)
Net Surplus/ (deficit)	11,808	5,891	5,917

Independent auditor's report on the Financial Statements (FS)

We rendered a qualified opinion on the fairness of the presentation of the FS for the year then ended, taking exception to the effects of the following:

1. Completeness, Existence, Rights and Obligations assertions of reciprocal accounts Due from Other Funds and Due to Other Funds are doubtful due to a difference of P102,628.19;
2. Liability accounts totaling P8.617 million which remain outstanding for more than five years could not be validated due to lack of supporting documents and schedules; and
3. The accuracy, existence and validity of the reported Property, Plant and Equipment (PPE) accounts for all funds with a total acquisition cost of P309.988 million as of December 31, 2020 could not be ascertained due to (a) incomplete physical inventory of municipal-owned properties resulting in the inclusion of missing/no status items totaling P9.973 million; (b) undetermined details of properties acquired in the previous year's totaling P12.634 million; (c) Improper classification of expenditures which were capitalized costing below the capitalization threshold totaling P1.923 million; (d) inclusion of demolished structures totaling P111,537.00; (e) donated transportation equipment still remains in the books of the LGU totaling P.540 million; (f) unserviceable properties were still carried in the books totaling P1.432 million; (g) completed Infrastructure projects still remains in the Construction in Progress – Infrastructure Assets account totaling P4.6 million; and (h) seven (7) parcels of land were not covered with Transfer Certificates of Title and were still in the name of its previous owners.

Significant audit observations and recommendations

In addition to the above-noted deficiencies, below are the significant audit observations and recommendations noted in the course of the audit:

1. Construction period of Isolation Building for COVID 19 mild suspects, probable and confirmed cases amounting to P2.990 million was extended by 65 days without proof of rainy/unworkable days based on actual conditions at the site as prescribed in Item 10 of Annex E of the Revised IRR of RA No. 9184.

We recommended that management require the contractor to submit justifications on the four (4) requests of time extension based on actual conditions obtained at the site or region-wide conditions.

2. Procurement of rice was made in excess of the prevailing price of monitoring agencies, resulting to a price difference of P1.599 million, in violation of RA No. 7581 or the Price Freeze Act.

We recommended that the BAC observe the prevailing wholesale price monitored by independent agencies when procuring in bulk, especially in procurement through emergency purchase.

Further for the end-user or the duly authorized official or personnel to ensure that due diligence is exercised and evaluation of costs is performed in determining the appropriate price/costs for the proposed procurement of goods and the ABC of the goods is a valid price to prevent excessive price/costing, moving forward.

3. Management failed to indicate in its Purchase Orders (POs) the detailed descriptions of the items to be purchased contrary to COA Circular No. 96-010 dated August 15, 1996 thereby affecting the evaluation of whether or not the items delivered were the ones that are actually needed and are intended to be procured.

We recommended that Management properly indicate in the POs the required information as required in COA Circular 96-010 for the proper and effective implementation of the PPA and to avoid unnecessary risks that would be disadvantageous to the Government.

4. Contract implementation was not efficiently done for various infrastructure projects totaling P33.265 million funded under 20% Development Fund, Local Disaster Risk Reduction Management Fund (LDRRM), 2019 and 2020 Local Government Support Fund - Assistance to Municipalities (LGSF-AM) Program, and Bayanihan Grant to Cities and Municipalities (BGCM).

We recommended that:

- a) Management ensures timely implementation of infrastructure projects and implements the calibrated measures provided under GPPB Circular No. 03-2019 dated March 8, 2019, in cases of negative slippage, without prejudice to other courses of action and remedies available under the circumstances.

Further, the contractor submits different key personnel and construction equipment committed to projects implemented simultaneously.

- b) The BAC and TWG efficiently conduct post-qualification of bidders to verify, validate, and ascertain all statements made by the bidder. In case of any misrepresentation made in the eligibility requirements, statements, or documents, which will affect the capability of the bidder to undertake the project, consider the said bidder as ineligible and disqualify it from obtaining an award or contract.
- c) The BAC and TWG efficiently conduct post-qualification through checking the performance of the bidder in its ongoing contracts with the LGU and if there is a negative slippage of ten percent (10%) or more in the completion of the work, consider the said bidder as ineligible and disqualify it from obtaining an award or contract.

- d) In granting suspension/extension order:
- i. The Municipal Engineer and Municipal Mayor, upon approval of contract time extension due to adverse weather conditions, shall consider the original contract time if such was already included;
 - ii. Require the contractor to submit a report from PAGASA on the area where the project is located if the extension requested is due to adverse weather conditions;
 - iii. Submit a report on the evaluation done upon granting the request of time extension on the contract - Improvement of Local Access Road with Drainage System at Barangay Lumbal;
 - iv. Submit an explanation why the suspension/extension order of the contract- Construction of Slope Protection at Luciano Manginsay Street was dated back on March 16, 2020 when the Contract Agreement of the project was dated April 17, 2020; and
 - v. Submit an explanation why suspension orders were given for Projects 5 and 6 while on the same period Projects 3 and 4 were continued.

Summary of total suspensions, disallowances and charges as of year-end

The reported audit suspensions, disallowances and charges of the Municipality of Vincenzo Sagun, Province of Zamboanga del Sur as at December 31, 2020 are as follows:

	Beginning Balance 01.01.2020	Issued This Period (1/1/20 to 12/31/20)	Settled This Period (1/1/20 to 12/31/20)	Ending Balance 12.31.2020
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	3,911,161.23	0.00	390,410.00	3,520,761.23
Notice of Charge	0.00	0.00	0.00	0.00
Total	3,911,161.23	0.00	390,410.00	3,520,761.23

Status of prior years' audit recommendations

Of the 24 prior years' audit recommendations, 13 were implemented and 11 were unimplemented as of December 31, 2020.