

EXECUTIVE SUMMARY

Introduction

The Municipality of Sulat is a 4th class municipality centrally located along the eastern bend of Samar Island with eighteen (18) barangays.

An audit was conducted on the accounts of the Municipality covering the period January 1 to December 31, 2020. The audit was aimed to ascertain the propriety and validity of disbursements and receipts, and to obtain reasonable assurance about whether the financial statements are free from material misstatements. The audit consisted of post-audit of transactions, review of operating procedures, interview with concerned municipal officials and employees, verification and analysis of accounts, and such other procedures considered necessary under the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Financial Highlights

The municipality's total assets, liabilities, equity, income and expenses for current and previous year are as follows:

	2020	2019	Increase (Decrease)	
			Amount	%
Assets	₱258,132,271.13	₱235,436,142.86	₱22,696,128.27	9.64%
Liabilities	84,981,715.16	82,701,741.05	2,279,974.11	2.76%
Equity	173,151,555.97	152,734,401.81	20,417,154.16	13.37%
Income	105,915,257.99	88,878,309.94	17,036,948.05	19.17%
Expenses	94,882,358.48	84,959,002.57	9,923,355.91	11.68%

Its appropriation, allotment and obligation for calendar year 2020 as compared with CY 2019, including the funds received from the national government agencies and other LGUs were as follows:

Particulars	2020	2019	Increase/(Decrease)	
			Amount	Percent
Appropriations, Allotments, Obligation				
Appropriations	₱106,873,281.60	₱123,473,525.78	-₱16,600,244.18	-13.44%
Allotments	₱106,873,281.60	₱123,473,525.78	-₱16,600,244.18	115.53%
Obligations	₱98,397,711.03	₱97,267,527.99	₱1,130,183.04	98.85%
Funds Received from Other Agencies				
NGAs	₱36,258,254.00	₱13,233,281.00	₱23,024,973.00	238.25%
LGUs	₱17,000,000.00	₱0.00	₱17,000,000.00	0.00%

Expenditures incurred out of current appropriation amounted to ₱98,397,711.03 while those of last year amounted to ₱83,716,755.35 showing an increase of ₱14,680,955.68 or 17.54% as follows:

Allotment Class	2020	2019	Increase (Decrease)	
			Amount	Percent
Personnel Services	46,845,049.84	42,268,574.81	4,576,475.03	10.83%
Maintenance & Other Operating Expenses	25,336,612.50	26,136,022.95	(799,410.45)	(3.06%)
Capital Outlay	26,216,048.69	15,312,157.59	10,903,891.10	71.21%
TOTAL	98,397,711.03	83,716,755.35	14,680,955.68	17.54%

Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the LGU's financial statements for the CY 2020 due to the improper recording to appropriate accounts of various disbursements resulting to the understatement of Other Machineries and Equipment by ₱541,800.00, Construction In Progress (CIP) - Other Structures by ₱92,925.00, Expense accounts by ₱80,800.00, and direct debits to expense of some inventory items totaling ₱74,828.00 cannot be ascertained due to the absence of proper documentation evidencing issuance or distribution.

Summary of Significant Observations and Recommendations

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

1. Procurement of pork from local hog raisers totaling ₱989,120.00 was made through a cash advance by the Municipal Treasurer and liquidated through a payroll, thus exposing government funds from risk of loss and misuse.

We recommended that the Local Chief Executive (LCE) direct the Bids and Awards Committee to submit justification on the mode of procurement employed by the municipality on the purchase of pork from local hog raisers. Henceforth, strictly observe the modes of procurement provided under RA No. 9184 and its IRR.

2. The monthly fund utilization report and status of Programs, Projects and Activities (PPAs) implementation was not prepared, posted and submitted regularly, causing management difficulty in the monitoring of the Bayanihan Grant to Cities and Municipalities (BGCM) fund and depriving the public of transparency of government funds.

We recommended that the required monthly fund utilization reports and status of implementation of PPAs using the prescribed format be immediately prepared with

complete supporting documents, submitted, and posted thereafter in at least three (3) conspicuous places.

3. Total available appropriations for the LDRRMF and utilizations therefrom per Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP), Report on Utilization of LDRRMF, Registry of Appropriations, Allotment and Obligations (RAAO), and per related schedules and notes to Financial Statements are inconsistent, due to non-reconciliation of the records and reports, thereby rendering the amount available doubtful, and the reports unreliable.

We recommended that the LCE direct The Municipal Accountant, LDRRMO and the Municipal Budget Officer to reconcile their records and submit to the audit team the corrected copies.

4. PPAs totaling ₱9,860,530.48 funded from the 20% Development Fund, and other sources, through various Appropriation Ordinances enacted by the Sangguniang Bayan was not supported with a supplemental Annual Investment Program (AIP), hindering the constituents of the LGU in benefiting from the efficient and timely delivery of government PPAs had there been a sound plan and delivery of government programs.

We recommended that the LCE direct the Municipal Development Council to:

- **Submit the supplemental Annual Investment Programs related to the Programs, Projects and Activities above. And,**
 - **Prepare and submit supplemental AIP on all PPAs not included in the Annual Investment Program and submit thereafter to the audit team.**
5. Various COVID-19 related PPAs funded from the 20% Development Fund, and other sources, with a total appropriation of ₱9,837,434.70 were not all included in the Annual Procurement Plan, defeating the purpose of procurement planning, and could have caused lapses in the delivery and implementation of the PAs.

We recommended that the LCE should require the Bids and Awards Committee to adhere strictly to the preparation of APP in the implementation of the procurement activities and/or issue a resolution in cases of deviations from the plan.

6. Due to lapses in planning and budgeting, appropriations for Personnel Services (PS) totaling P3,032,742.92 were realigned to two (2) Maintenance and Other Operating Expenses (MOOE) items, compromising the funds intended for personnel support.

We recommended that the:

1. **LCE in coordination with the Budget Officer, make proper planning in the preparation of the Annual Budget; and**

- 2. Sangguniang Bayan adhere strictly to existing laws, rules and regulations in the use of appropriated funds and savings.**

Summary of Audit Suspensions, Disallowances and Charges (SASDC)

The total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality as of December 31, 2020 was ₱677,229.90 based on the Notice of Suspension (NS), Notice of Disallowance (ND), and Notice of Charge (NC) issued by this Commission.

Status of Implementation of Prior Years' Audit Recommendations

Of the twenty-three (23) audit recommendations relative to the prior years' audit, fifteen (15) were fully implemented, six (6) were partially implemented and two (2) were not acted upon by management.