

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Braulio E. Dujali was created by virtue of RA No. 8473 on March 7, 1998, with a current vision to be economically viable and agro-commercial center of the province of Davao del Norte, where peaceful, secured, disaster-resilient, gender-sensitive, child friendly, participative and empowered constituents work in harmony with the competent, transparent and highly responsive leaders. It is classified as fourth class municipality composed of five (5) barangays that has a land area of approximately 9,100 hectares with almost 40,000 residents.

The Municipal Government is headed by Honorable Atty. Leah Marie A. Moral – Romano, with the Honorable Vice Mayor Donna Mae B. Bernadas, Ph. Ed., presiding over the Sangguniang Bayan members, namely:

1. Hon. Restie E. Tabirao
2. Hon. Ana C. Cagulada
3. Hon. Yasmin G. Valle-Campion
4. Hon. Ricky T. Delco
5. Hon. Concordio B. Momo, Jr.
6. Hon. Adhem F. Funa
7. Hon. Samuel F. Pacres
8. Hon. Nelson C. Baer, RA
9. Hon. Francisco D. Bucadon – IP Representative
10. Hon. Carme Leogy C. Aguiluz – ABC Federation President
11. Hon. Kevin P. Gentugaya – SK Federation President

B. 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. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRRBA) Methodology, was applied in the audit of the accounts and operations of the LGU.

C. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the Municipality of Braulio E. Dujali, Province of Davao del Norte for calendar year 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, analysis of accounts, and such other procedures considered necessary.

D. Financial Highlights

Account Groups	2020	2019	Difference Increase (Decrease)	
			Amount	%
Assets	376,918,733.71	352,099,293.18	24,819,440.53	7.05%
Liabilities	156,753,926.70	158,538,403.88	(1,784,477.18)	(1.13%)
Equity	220,164,807.01	193,560,889.30	26,603,917.71	13.74%
Revenue	136,488,876.89	117,140,516.22	19,348,360.67	16.52%
Current Operating Expenses	127,916,954.82	107,910,280.53	20,006,674.29	18.54%
Transfer and Subsidy From	0.00	0.00	0.00	0.00
Transfer and Subsidy To	(2,040,475.85)	(6,267,377.88)	4,226,902.03	(67.44%)
Surplus (Deficit) for the period	6,531,446.22	2,962,857.81	3,568,588.41	120.44%

For calendar year 2020, the Municipality's asset and equity increased by 7.05% and 13.74%, respectively, due to fund and properties transfers from various NGAs while liabilities decreased by 1.13% due to settlement of operational obligations and liquidations of transferred fund.

The Municipality has 16.52% increase of revenue due to increase in the share in the Internal Revenue Allotment (IRA), to supports the agency's effort to respond and mitigate the effect of COVID 19 pandemic. The Agency's expenses increased by 18.54% on account of Personnel Services and Maintenance and Other Operating Expenses and increases in depreciation expenses that resulting in 120.44% increase in income.

Appropriations

Descriptions	Appropriations		Increase (Decrease)	%
	2020	2019		
Current Legislative Appropriation (LA):				
PS	50,200,460.56	48,543,348.74	1,657,111.82	3.41%
MOOE	62,077,906.24	51,656,051.35	10,421,854.89	20.18%
Financial Expenses	3,899,937.77	9,833,426.41	(5,933,488.64)	-60.34%
CO	19,247,565.43	13,269,081.12	5,978,484.31	45.06%
Total Current Legislative Appropriation (LA)	135,425,870.00	123,301,907.62	12,123,962.38	9.83%
MOOE	10,035,382.85	0.00	10,035,382.85	100.00%
Financial Expenses	2,656,592.09	10,973,010.00	(8,316,418.01)	-75.79%
CO	487,768.34	0.00	487,768.34	100.00%
Total Continuing Legislative Appropriation (LA)	13,179,743.28	10,973,010.10	2,206,733.18	21.11%

The current year's appropriations and continuing appropriations was 9.83% and 21.11% higher compared to the previous year's appropriations.

Obligations

Descriptions	Obligations		Increase (Decrease)	%
	2020	2019		
Current Legislative Appropriation:				
PS	49,939,016.26	48,433,795.98	1,505,220.28	3.11%
MOOE	55,991,386.26	45,912,565.53	10,078,820.73	21.95%
Financial Expenses	2,276,195.89	8,933,241.61	(6,657,045.72)	-74.52%
CO	17,591,117.62	6,916,631.27	10,674,486.35	154.33%
Total Current Legislative Appropriation	125,797,716.03	110,196,234.39	15,601,481.64	14.16%
Continuing Legislative Appropriation:				
MOOE	487,310.00	0.00	487,310.00	100.00%
Financial Expenses	255,419.02	0.00	255,419.02	100.00%
CO	5,936,801.00	7,459,262.74	(1,522,461.74)	-20.41%
Total Continuing LA	6,679,530.02	7,459,262.74	(779,732.72)	-10.45%

Also, obligations for current year's appropriation was higher by 14.16% and 10.45% lower as to obligation for continuing appropriations

E. Auditor's Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements for the year then ended due to the: (a) reconciling items amounting to P2,377,100.53 reflected in the bank reconciliation statements remained unadjusted in the books of the Municipality, creating doubt on the accuracy and propriety of its Cash in Bank account balance as at December 31, 2020, contrary to Section 74 of PD 1445; and (b) Non-current portion of Receivables totaling P312,006.58 is not presented in the Statement of Financial Position as at year-end, contrary to the pertinent provisions of PPSAS 1, 27, 79, and the GAM for LGUs, Volume I, which affect the reliability and proper classification in the financial statements.

F. Summary of Significant Observations and Recommendations

The following are the significant audit observations and corresponding recommendations which were discussed with management officials and employees concerned during the exit conference conducted on February 23, 2021. The details of which are discussed in Part II of this report and management's comments were incorporated therein:

1. The reports of the Municipality on the status of PPAs totaling P29,597,293.59, used to notify the public through posting, were not fully provided with relevant

information, contrary to Section 2.1 of COA Circular No. 2013-004 dated 30 January 2013, thus leading to misinformation to the public.

We recommended that the LCE direct the Engineering Department to provide relevant information in preparing PPAs as prescribed in COA Circular 2013-004 to adopt and implement full disclosure of all transactions involving public interest.

2. COVID-19 Hazard Pay totaling P1,520,000.00 was paid by the Municipality despite incomplete documentation, in violation of Section 4(6) of PD 1445, Section 168 of GAAM, Administrative Order (AO) No. 26 dated March 23, 2020, and DBM Budget Circular No. 2020-01 dated March 24, 2020, thus affecting the validity and correctness for payment.

We recommended that the LCE direct her Municipal Treasurer (MT) and MACCO to submit the lacking documents within five (5) days from receipt of this AOM, to support the validity and correctness of such payments of hazard pay.

3. Emergency procurement of welfare goods totaling P6,597,429.60, used to augment families in the community quarantine, were not supported with necessary documents in violation of GPPB Circular No. 01-2020 dated 6 April 2020, PD 1445, and COA Circular 2012-001 dated 14 June 2012, thus affecting the propriety and validity of disbursements.

We recommended that the LCE require her concerned key officials to immediately submit to the Accounting and Treasury Department the required documents to support the validity and correctness of the payments.

We also recommended that the LCE require those concerned to submit written explanation on why the delayed deliveries of the procured goods, for our further evaluation of such procurement transactions.

4. Donations in kind during community quarantine received from Department of Health (DOH), Region XI totaling P P588,211.28, were not recorded in the books, thus affecting transparency and accountability of such.

We recommended that the LCE:

- a. Instruct all concerned offices to furnish the accounting office all the documents for the in-kind donations, received, and distributed for recording purposes and
- b. Adhere to the COA Circular No. 2020-09 dated April 9, 2020 to ensure donation's transparency and accountability.

5. Procured supplies and materials during the year amounting to P11,423,946.77 were recorded in the books of accounts as outright “Expenses” is contrary to the perpetual inventory method prescribed by existing rules and regulations, thus affecting the fair presentation of balances in the Financial Statements for both inventory and related expense accounts.

We recommended that the Management remind its responsible offices:

- Municipal Accounting Department – to observe the perpetual inventory method in accounting for the inventories, and require monthly submission the RIS, SSMI and distribution list for the recognition of the expense portion of supplies inventories; and
 - MSWD – to conduct a periodic physical count of inventory on hand and reconcile with accounting records to reflect the necessary adjustments for proper valuation of the inventory as of a specific date.
6. Guidelines on documentation for the payment of Emergency Cash Assistance under the Social Amelioration Program (SAP) totaling P21,030,000.00 were not strictly adhered to, contrary to the pertinent provision of DSWD-DOLE-DTI-DA-DBMDOF-DILG JMC No. 1, series of 2020 and DSWD MC No. 04 s. 2020 dated March 30, 2020, hence authenticity of documents and regularity of the transactions are questionable.

We recommended that the Municipal Mayor instruct its MSWDO to:

- 6.1 Submit a written explanation for the lapses on the documentation of SAP payment, which is not in accord with the guidelines set under the DSWDDOLE-DTI-DA-DBM-DOF-DILG JMC No. 1
 - 6.2 Adhere strictly with the guidelines embodied in the said JMC and DSWD MC No. 4 s. 2020 so that future cash subsidy releases be fully documented and could be relied upon, to avoid suspension/disallowance in audit.
7. Disbursement totaling P9,108,112.00 cannot be ascertained due to the Municipality failure to support the claims with proper documentation contrary to Section 4, paragraph 6 of PD 1445, hence, the validity of the said transaction is doubtful.

We recommend that the LCE instruct its accounting, budget and other requisitioning offices, to submit the required documents as mandated by GPPB Circular No. 01-2020 dated April 6, 2020 and other necessary documents to ensure accountability, transparency, validity and compliance with the provisions in the conduct of such procurement.

G. Summary of Total Suspensions, Disallowances and Charges as at Year-End

As at December 31, 2020, audit disallowance of P419,305.00 remained unsettled as shown below:

Particulars	Beginning Balance January 1, 2020	This Period (From January to December 2020)		Ending Balance December 31, 2020
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	419,305.00	0.00	0.00	419,305.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	419,305.00	0.00	0.00	419,305.00

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the twenty-nine (29) audit recommendations for prior years', nineteen (19) or 65.52% were fully implemented, nine (9) or 31.03% were partially implemented and one (1) or 3.45% for not implemented.