

EXECUTIVE SUMMARY

A. Introduction

1. The Municipality of Lanuza was the fifth municipality created in the Province of Surigao del Sur by virtue of Executive Order No. 52 issued by the American Governor Francis Burton Harrison on December 10, 1918. The main thrust of the municipal Government is to uplift the quality of life of its constituents. Much of the municipality's resources were spent for the basic services such as agricultural, social and health programs.
2. The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine Public Sector Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
3. The audit covered the operation of the Municipal Government of Lanuza for calendar year 2020. The objectives of the audit were to ascertain the fairness and reliability of the presentation of the municipality's financial position and results of operations. It also aimed to determine compliance of the agency to existing laws, rules and regulations, as well as to ascertain whether the programs, projects and activities were implemented in an efficient, effective and economical manner.

B. Financial Highlights

Comparative Financial Position and Results of Operations

Particulars	2020	2019	Increase/ Decrease
Assets	266,687,169.84	226,261,614.73	40,425,555.11
Liabilities	114,236,887.20	113,181,136.57	1,055,750.63
Government Equity	152,450,282.64	113,080,478.16	39,369,804.48
Income	118,705,628.70	107,639,769.40	11,065,859.30
Operating Expenses	129,911,345.63	96,385,406.33	33,525,939.30
Subsidies/Grants	16,051,665.71	(2,359,279.71)	18,410,945.42
Net Income	5,046,271.11	9,168,196.61	(4,121,925.50)

C. Audit Opinion

4. The Audit Team rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Lanuza for CY 2020 because completed project amounting to P4,531,363.56 was still recorded in the books as Construction in Progress as of December 31, 2020, which also resulted in non-recognition of depreciation by P113,284.09 contrary to Government Accounting Manual (GAM) for LGUs Volume III and Philippine Public Sector Accounting Standard (PPSAS) 17 – Property, Plant and Equipment, thus overstated the book value of the asset and Government Equity account by the same amount.

D. Summary of Significant Observations and Recommendations

5. For the above-mentioned audit observations which have caused the issuance of a qualified opinion, we recommended that Management direct the Municipal Accountant to prepare the following adjusting entries:

Account Name	Debit	Credit
Road Networks	4,531,363.56	
CIP-Building & Other Structures		4,531,363.56
Entry to record transfer from CIP to appropriate asset account		
#		
Depreciation Expense-Road Networks	113,284.09	
Accumulated Depreciation- Road Networks		113,284.09
Entry to record Depreciation Expense and Accumulated Depreciation		
#		

6. The other significant audit observations and recommendation are as follows:

a. The Municipal Government overlooked the regulations relative to the receipt and distribution of donations in-kind during the period of State of Calamity under Proclamation No. 929, dated March 16, 2020, contrary to the provisions stated under Section 2(a) of COA Circular No. 2020-009 dated April 21, 2020.

We recommended that Management be updated with the new guidelines that are necessary for the operations, especially during the Emergency Phase. Prepare and issue Acknowledgement Receipt for In-Kind Donations to all future receipts to acknowledge the donations and proper accounting and recording. Issuance Form for In-Kind Donations or any proof of receipt must be prepared to prove the distribution to the intended recipient. And monthly reports on the receipt and distribution/utilization/issuance of in-kind donations for all in-kind donations by a private entity in compliance with COA Circular 2020-009 dated April 21, 2020 and strictly follow the provisions thereto.

b. The Municipality failed to prepare and submit the one-time Report for Donations Received, Distributed and Balances to the National Disaster Risk Reduction and Management Council through the Office of the Civil Defense, as required under Section 2(b) of COA Circular No. 2020-009.

We recommended that Management direct LDRRM Officer to be updated with the new issuance related to DRRM policies and guidelines. Prepare and submit the one-time report of the donations received, distributed and balances to the Office of the Civil Defense, copy furnished the Auditor's office as required in COA Circular 2020-009.

c. Various purchases of Goods and supplies under LDRMMF amounting to P1,102,873.00 in response to the COVID 19 Pandemic were not supported with the necessary documentation, which is not in accordance with Section 4.6 of PD 1445, thus, completeness and validity of transaction cannot be attained.

We recommended the Management to coordinate the personnel from different departments involved in the specific operation to have the proper flow of the needed documents. Require the LRDDMO to immediately submit the complete master/distribution list of recipients of the said program to the office for further assessment and examination of the transaction's validity.

d. Procurement vouchers totaling P 5,871,299.55 were processed despite the absence of the Mayor's permit and Omnibus Sworn Statement, which contravene the provisions of Section 3.4 of GPPB Circular 01-2020.

We recommended the Management instruct the Bids and Awards Committee to secure documentary requirements, especially during Emergency Purchase, so as not to compromise integrity and transparency in public procurement that could be disadvantageous to the government.

e. Supplemental Annual Procurement Plan (APP) and other information on procurement projects under Emergency Purchase during the Bayanihan Act were not posted in conspicuous places and in the GPPB portal contrary to Section 3 of GPPB Circular 02-2020.

We recommended the Management to direct the Bids and Awards Committee to properly prepare its Annual Procurement Plan (APP) in the correct format, and any changes therein or any supplemental reports made should be submitted to the GPPB for posting requirements to promote accountability and transparency in the conduct of Emergency Procurement.

f. Supplemental Budget No. 2 for the Bayanihan Grant to Cities and Municipalities (BGCM) includes an ineligible item in the amount of P244,610.00 contrary to DBM Local Budget Circular No. 125, thereby depleting the fund that could have been used in boosting the LGU's capacity in responding the COVID-19 emergency.

We recommended that the Management strictly adheres to the National Government's guidelines in the utilization of funds received, such as in this case, to strengthen further measures in countering this pandemic and for future similar occurrences.

g. Consumption of Fuel, Oil and Lubricants amounting P1,227,077.00 under General Fund-MOOE as of October 31, 2020, was not strictly controlled and monitored due to non-preparation of the properly accomplished and duly approved driver's trip tickets, report of official travels, and monthly fuel consumption report as required under COA Circular No. 77-61, thus cast doubts on the accuracy and reasonableness of the transactions.

We recommended the Management to:

1. Use the required format of a sequentially numbered trip ticket duly approved by the Agency Head or the authorized representative for proper monitoring of fuel consumption with complete information being filled out in every detail needed to support the claims for payment of fuel expenses.
2. Enforce the "No Driver's Trip Ticket, No Withdrawal Policy."
3. Direct the authorized personnel to reconcile every month the driver's trip ticket with the Monthly Fuel consumption and Summary of Monthly Report of official Travels as mandated under COA Circular No. 77-61 D.6 to determine whether the said fuel usage is valid and is being used appropriately.
4. Install controls on the monitoring of issuance of the fuel and strictly adhere to the guidelines on the use of government vehicles.

h. Due to the Management's inability to strictly impose measures in collecting the market stall and table rental fees, an amount of P80,421.25 remained uncollected as of December 31, 2020. Thus, depriving the LGU of the additional income to deliver basic services will benefit the constituents.

We recommended that Management strictly impose the collection of the balances and the surcharges from the delinquent stallholders.

E. Statement of Audit Suspensions, Disallowances and Charges

Audit disallowances amounting to P5,625.00 remained unsettled contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

	Beginning Balance	This period		Ending Balance
		NS/ND/NC	NSSDC	
Notice of Suspension	-	-	-	-
Notice of Disallowance	5,625.00	-	-	5,625.00
Notice of Charge	-	-	-	-
Total	5,625.00	-	-	5,625.00

F. Status of Implementation of Prior Year's Audit Recommendations

Monitoring of the implementation of 16 prior years' audit recommendations revealed that six (6) were fully implemented, nine (9) were partially implemented and one (1) was not implemented.