

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Flora was created on June 22, 1963 by virtue of Republic Act 3670. It was named Flora as a tribute to the former Florence Busacay, the wife of then Congressman Alfredo Lam-en who authored the bill of its creation.

Flora is a third class municipality situated in the northeast part of Apayao. It is bounded on the north by the Municipality of Sta. Marcela, Apayao; on the south by the Municipality of Kabugao, Apayao; on the east by the Municipality of Allacapan, Cagayan; and on the west by the Municipality of Luna and Pudtol, Apayao.

B. Financial Highlights

Particulars	CY 2019	CY 2018	Increase (Decrease)
A. Financial Position			
Assets	288,350,585.73	313,998,531.02	25,647,945.29
Liabilities	120,230,005.66	90,868,876.72	(29,361,128.94)
Government Equity	168,120,580.07	223,129,654.30	55,009,074.23
B. Result of Operations			
Income	126,921,990.18	116,399,524.97	10,522,465.21
Expenses	99,090,467.80	94,666,834.39	4,423,633.41
Excess of Income	27,831,522.38	21,732,690.58	6,098,831.80

Particulars	CY 2019	CY 2018	Increase (Decrease)
Appropriation	140,054,479.91	135,440,142.32	4,614,337.59
Obligations	102,084,174.78	95,909,179.57	6,174,995.21
Balance	37,970,305.13	39,530,962.75	(1,560,657.62)

C. Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements because of the following:

1. The net balances of Property, Plant and Equipment (PPE) accounts as of December 31, 2019 totaling to ₱178,615,536.87 was unreliable due to management's failure to conduct physical inventory and maintain complete property, plant and equipment ledgers which may result in overstatement or understatement of assets.

2. Management failed to regularly monitor the grant of fund transfers to LGUs and NGAs, periodically analyze related receivable accounts, and enforce timely submission of Fund Utilization Reports resulting in the accumulation of unliquidated fund transfers amounting to ₱7,630,708.66.
3. The Provincial and Barangay share from taxes withheld on sand, gravel and other quarry products totaling ₱130,039.72 were erroneously recorded by the Municipality in its revenue account, thereby overstating the revenue and understating the liability account. Further, the said amount was not remitted to the province and the concerned barangays

D. Summary of Significant Audit Observations and Recommendations

The following is a summary of the significant observations and recommendations which we noted during the year:

1. The net balances of Property, Plant and Equipment (PPE) accounts as of December 31, 2019 totaling to ₱178,615,536.87 was unreliable due to management's failure to conduct physical inventory and maintain complete property, plant and equipment ledgers contrary to Section 119, 120 & 124 of National Government Accounting System Manual and COA Handbook on Property and Supply and Management.

We recommended management to:

- **conduct physical inventory of their property, plant & equipment and prepare the necessary inventory report to be furnished to the COA for audit.**
 - **require the Accounting and Supply Office to prepare and maintain updated Ledger and Property cards, respectively, to be reconciled periodically.**
2. Management failed to regularly monitor the grant of fund transfers to LGUs and NGAs, periodically analyze related receivable accounts, and enforce timely submission of Fund Utilization Reports resulting in the accumulation of unliquidated fund transfers amounting to ₱7,630,708.66 in violation with COA Circular No. 2016-005 and COA Circular No. 2016-002.

We recommended that:

- **the Municipal Accountant reconcile the records of fund transfers and make necessary adjustments, if any;**

- **Management enforce liquidation from Implementing Agencies by requiring submission of approved Fund Utilization Report and/or immediate refund of any unused balance; and**
 - **stop granting additional assistance (in the form of fund transfers) to LGUs and NGAs with unliquidated balance/s unless prior settlement thereof is made.**
3. The 25 percent (25%) and 35 percent (35%) share of the Barangay and Province of Apayao on Real Property Tax (RPT) collected by the municipality totaling ₱2,406,592.25 were not remitted on time contrary to Section 271 (d) of the Local Government Code of the Philippines, thus depriving the PLGU and the BLGUs of additional funds to finance their operations.

We recommended that Management remit the share of LGUs on Real Property Taxes within 5 days after the end of each quarter in accordance with Section 271 (d) of the Local Government Code of the Philippines.

4. Management failed to regularly monitor the grant of cash advances and enforce timely submission of liquidation reports upon completion of the purpose of the cash advance resulting in the accumulation of unliquidated cash advances amounting to ₱1,093,530.74 in violation with Item 1.1 and 1.2 of COA Circular No. 2012-001, known as the Documentary Requirements for Common Government Transactions; 6.1 and 7.1 of COA Circular No. 2016-005 and 2.0 of COA Circular No. 2012-004.

We recommended Management to:

- **monitor and demand timely submission of liquidation reports and/or immediate refund of any unused balances;**
 - **stop granting additional cash advances to Officials and Employees, unless settlement is made on previous cash advances. Relative to this, require the Municipal Accountant to include as a supporting document to the grant of cash advances, a certification that previous cash advance/s were liquidated or that the grantee has no unliquidated cash advance.**
 - **issue demand letters to require Officials and Employees with due and demandable cash advances to immediately settle their accounts, otherwise a Notice of Disallowance shall be issued.**
5. One unit Dump truck amounting to ₱1,490,000.00 procured and charged under the calamity fund was recorded as Motor Vehicle rather than Construction and Heavy Equipment as required under COA Circular 2012-002 and NDRRMC & DILG Joint Memorandum Circular No 2013-1.

We recommended the Municipal Accountant:

- **make the necessary adjustment through the following proposed adjusting journal entry:**

	Debit	Credit
Construction and Heavy Equipment	₱1,490,000.00	
Motor Vehicle		₱1,490,000.00

- **Record succeeding procurement of equipment for calamity purposes in accordance with the guidelines provided under COA Circular No. 2012-02 and NDRRMC and DILG JMC No. 2013-1.**
6. The municipality incurred cumulative penalties of ₱477,572.61 due to late payments of its loan amortization to the Municipal Development Fund Office which is in violation with 4.1 of COA Circular No. 2012-003 for Unnecessary Expenditures.

We recommended that Management:

- **make a prompt request or follow-up billing statement with the Municipal Development Fund Office regularly to avoid delay in the loan payment that may result in the incurrence of penalties. Otherwise, use the amortization schedule as previously agreed in the contract, if any.**
 - **not use the municipal budget or any government fund to defray payment of penalties or any unnecessary expenditure.**
 - **make a representation to the MDFO and request that the penalties imposed be condoned. Otherwise, the penalties shall be shouldered by the officials at fault or those who caused the incurrence of penalties.**
7. Mobilization/Demobilization cost totaling ₱158,238.20 for the thirteen Infrastructure Projects were subjected to overhead, contingencies and miscellaneous (OCM) and profit mark-up and one has exceeded the allowable cost contrary to the provisions stated in DPWH Department Order (DO) 197, s. 2016.

We recommended that the engineers involved in the preparation of the POWs and DEs of the contract should only include the cost of mobilization and demobilization within 1% of the EDC, and stop including the same in computing OCM and profit mark-up as provided in the DO No. 197, series of 2016.

8. The Provincial and Barangay share from taxes withheld on sand, gravel and other quarry products totaling ₱130,039.72 were erroneously recorded by the Municipality in its revenue account, thereby overstating the revenue and understating the liability account. Further, the said amount was not remitted to the

province and the concerned barangays in accordance with Section 36 of COA Circular No. 92-382, thus depriving the PLGU and the BLGUs on the immediate utilization of their share.

We recommended that:

- **the Municipal Accountant correct the overstatement of revenue and understatement of liability thru the following proposed adjusting entry:**

	Debit	Credit
Prior Year Adjustment	₱130,039.72	
Due to LGUs		₱130,039.72

- **Management identify the barangays where the taxable materials were extracted to determine where the barangay shares are to be remitted.**

9. Implementation of the Special Area for Agricultural Development (SAAD) program amounting to ₱1,821,975.00 was delayed, hence defeating the objective of the Program and the Memorandum of Agreement entered into by and between the Department of Agriculture – CAR and the Municipality.

We recommended that the management with the Municipal Agriculturist in the succeeding programs of the Municipality should hasten the implementation of the programs to maximize the benefits to be derived from it.

10. A brand new generator set amounting to ₱970,000.00 purchased by the municipality remained unused for over one (1) year from the date of procurement defeating its purpose in violation to Section 17 and 376 of RA 7160 known as The Local Government Code (LGC) of the Philippines.

We recommended that management fast track securing the needed permit to operate to fully maximize the use of the Generator set for uninterrupted delivery of services.

11. The Programs, Projects and Activities (PPAs) of the Municipality included in the CY 2019 Gender and Development Program/Plan were not analyzed through Harmonized Gender and Development Guidelines (HGDG) contrary to Joint Memorandum Circular (JMC) No. 2013-01. Hence, it could not be established if all projects and activities funded by the allotted budget of ₱14,742,886.41 are attributable to GAD activities.

We recommended management:

- **to send personnel involved in GAD activities to attend trainings/seminars that will enhance their capability and knowledge in the development of its GAD plans and programs which includes among others, the undertaking of Harmonized Gender and Development Guidelines (HGDG).**

- **to analyze all proposed GAD projects and activities through Harmonized Gender and Development Guidelines (HGDG) to determine the actual amount attributable to GAD to be included in its GAD plan/Budget.**

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

Of the 50 audit recommendations embodied in the 2018 Annual Audit Report, 20 were fully implemented, 16 were partially implemented and 14 were not implemented.