

## EXECUTIVE SUMMARY

### INTRODUCTION

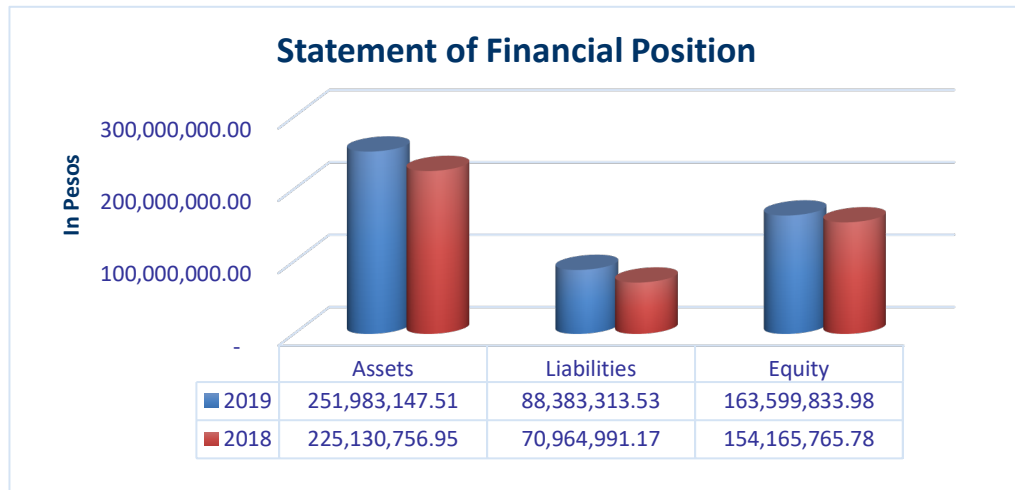
The Municipality of Basay is a fourth class Municipality and was originally a barrio of Bayawan City, Province of Negros Oriental. It was converted into a Municipality under the sponsorship of Congressman Lamberto Macias, then Congressman of the Second District of Negros Oriental by virtue of Republic Act No. 5421 on June 15, 1968.

As of December 31, 2019, it had a personnel complement of:

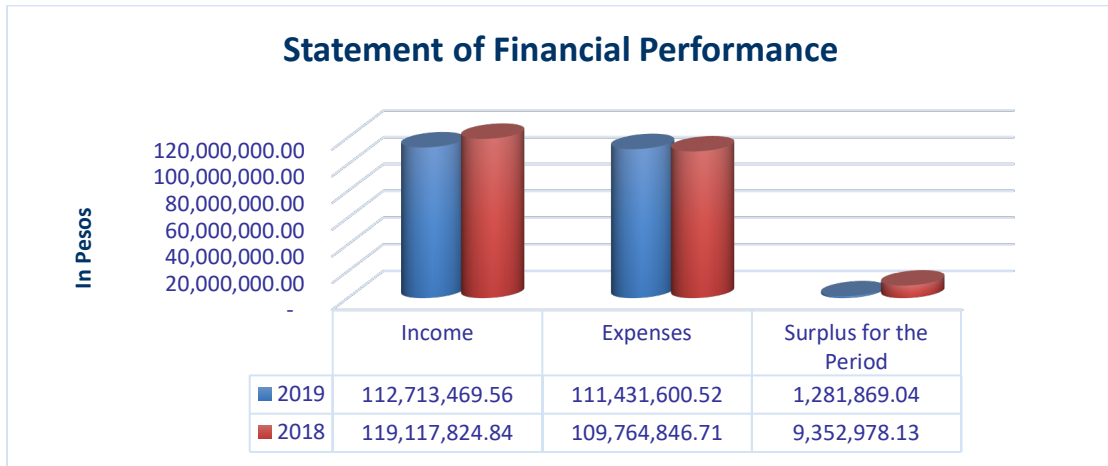
<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	11
Permanent Positions	74
Co-terminus	2
Contractual/Casuals	51
Job Orders	141
<b>Total</b>	<b>279</b>

### FINANCIAL HIGHLIGHTS

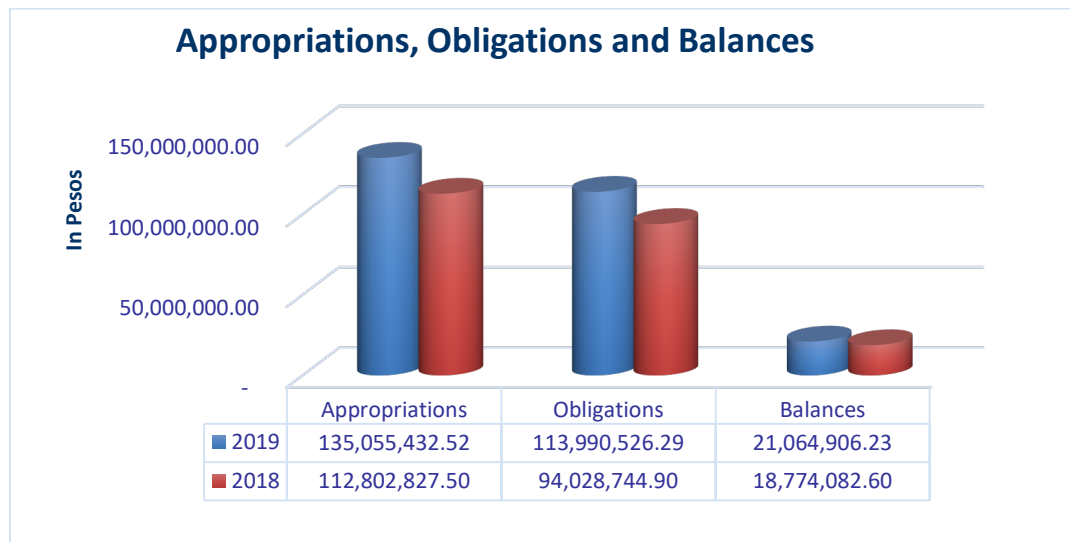
Comparative analysis of the Statement of Financial Position as graphically illustrated below showed increases in assets, liabilities and equity.



On the other hand, the Statement of Financial Performance reported a decrease in income and an increase in expenses:



The following graph illustrates increases in appropriations and obligations during the year:



## SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Basay, Province of Negros Oriental for the year ended December 31, 2019. The audit was aimed at ascertaining the accuracy and reliability of the financial statements, the propriety and legality of disbursements, the adequacy of the books of accounts and its subsidiary records, and the degree of compliance with existing laws, rules and regulations.

Audit examinations consisted of the verification of records on a test basis, review of operating procedures, inspection of projects, interview with concerned officials and employees, analysis of accounts and such other procedures considered necessary in the circumstances.

In compliance with the unnumbered Memorandum dated July 3, 2019 of the Assistant Commissioner, Local Government Sector, COA, Quezon City, the following are the significant thrust areas that were looked into by the Audit Team:

1. Cash and Cash Equivalents
2. 20% Development Fund
3. Local Disaster Risk Reduction and Management Fund
4. Fund Transfers from NGAs
5. Gender and Development

Based on the Audit Team's assessment on Agency's account, the following areas were likewise covered in audit:

1. Property, Plant and Equipment
2. Procurement
3. Revenue – Real Property Tax

#### **AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

A qualified opinion was rendered on the fairness of presentation of the financial statements of the Municipality for the year 2019, in view of the following exceptions:

1. The balance of Property, Plant and Equipment (PPE) valued at ₱162,031,619.67 as of December 31, 2019 could not be relied upon because the physical count of movable properties amounting to ₱74,054,989.43 was not completed, thus, the required reconciliation between the results of the actual count and the related accounting and property records could not be done; and
2. The balance of cash advances amounting to ₱5,027,976.86 included past due accounts of ₱4,481,127.20 (aged over one year to over ten years) which still remained unsettled as of December 31, 2019, thus, possibly overstating the asset and equity accounts.

## SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The following is the summary of significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality of Basay, Province of Negros Oriental for the year 2019:

- 1. The payment to Liga Ng Mga Barangay (LNMB) amounting to ₱228,000.00 for the registration of 60 participants during the 5-day basic life support training was not supported with complete documentation, hence, casting doubt on the validity and propriety of the transaction.**

We recommended that Management require the LNMB to submit the payroll for the honorarium of volunteers and rescue personnel, receipts for hotel accommodation, list of participants and training design to determine the validity of the transaction pursuant to Section 4(6) of PD No. 1445.

- 2. The Municipality did not avail of the remedies provided under Sections 258 and 260 of Republic Act (R.A.) No. 7160 which contributed in the accumulation of delinquent real property taxes amounting to ₱33,242,578.07 as of December 31, 2019, thus, the Municipality stands to lose potential revenues which could have been used to finance development programs and projects.**

We recommended that Management direct the Municipal Treasurer to intensify collection of real property taxes and avail of the remedies provided under Sections 258 and 260 of the Local Government Code, especially for those with delinquent accounts of more than two years.

- 3. The Municipality charged ₱531,152.42 to the 20% Development Fund (DF) for ineligible expenditures while ₱365,238.00 of the said amount was classified as expenses, thus, not contributing to the attainment of the desired socio-economic development and environment outcomes of the LGU.**

We recommended that Management, henceforth, use its 20% DF for projects, programs and activities in accordance with Item Nos. 2.3 and 3.0 of DILG and DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017.

- 4. The Municipal Disaster Risk Reduction and Management Officer (MDRRMO) used the Local Disaster Risk Reduction and Management Fund (LDRRMF) to pay for expenditures amounting to ₱365,256.00, thus, funds to support disaster risk management activities were reduced by the same amount.**

We recommended that Management reimburse from the General Fund the LDRRMF for the amount of expenses not chargeable thereto. We further recommended that the MDRRMO use the LDRRMF for disaster-related projects, programs and activities in accordance with NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013.

5. **The Municipality charged the purchase of supplies, equipment and furniture totaling ₱76,234.00 to Gender and Development (GAD) Fund, which did not clearly address gender issues and concerns, defeating the purpose of the fund in promoting gender equality and women empowerment.**

We recommended that Management, henceforth, immediately stop the use of the GAD Fund for projects, programs and activities that do not clearly address gender issues pursuant to Section 36(a) of R.A No. 9710 and PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 dated July 18, 2013.

#### **SETTLEMENT OF ACCOUNTS**

Suspensions and disallowances amounting to ₱13,983,906.40 and ₱2,312,910.00, respectively, remained unsettled as of December 31, 2019.

#### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 35 recommendations, two were fully implemented, 20 were partially implemented and 13 were not implemented at all.