

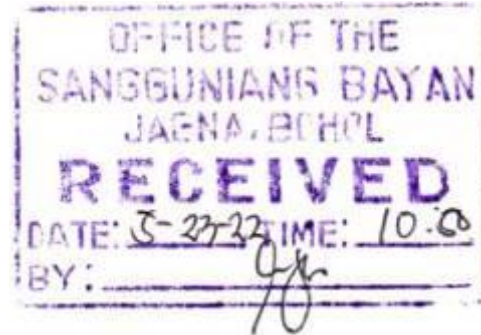


REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. VII
PROVINCE OF BOHOL
PROVINCIAL SATELLITE AUDITING OFFICE
Lot 2637B, Dampas District, Tagbilaran City, 6300 Bohol



May 19, 2022

HONORABLE JOSEPH A. RAÑOLA
Municipal Mayor
Jagna, Bohol



Dear Mayor Rañola:

We are pleased to transmit the report of our Auditor on the results of the audit of the accounts and operations of the Municipality of Jagna, Bohol for the year ended December 31, 2021, in compliance with Section 2, Article IX-D of the Philippine Constitution, pertinent Sections of Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines, and in line with the Commission's effort towards informing management on how fiscal responsibility has been discharged.

The audit was made to (a) ascertain the level of assurance that may be placed on management assertion on the financial statements; (b) check managements' adherence to pertinent laws, rules and regulations; and (c) determine the extent of implementation of prior years' unimplemented audit recommendations.

Our audit was conducted in accordance with the International Public Sector Standards (IPSAS) on Auditing, and we believe that it provided reasonable basis for the results of the audit.

We rendered a qualified opinion on the financial statements due to the following:

1. Due to NGAs totaling ₱4,381,351.94 remained in the books for more than two (2) years, due to non-return of the fund to the source agency/non-implementation of the projects, thus, bloated the balance of the account of ₱32,815,485.58 as of December 31, 2021, rendering the same unreliable. (*Part II, CY 2021 AAR, Page 43-46*)
2. Due from Local Government Units has a substantial outstanding/unliquidated amount of ₱13,500,000.00 as of December 31, 2021. Non-monitoring on the funds gives doubt to the accuracy of the affected account causing overstatement of the receivable account and understatement of its expenses by the same amount. (*Part II, CY 2021 AAR, Page 46-48*)

The above and other audit observations, together with the recommended courses of action were incorporated in the Summary of Audit Observations and Recommendations (SAOR) which were sent to Management and discussed during the exit conference conducted on March 30, 2022. All of these, together with management comments, are discussed in detail in Part II of the report.

We wish to express our appreciation for the cooperation and support you and your staff has extended to our audit team during the audit.

We request the recommended remedial measures be immediately implemented and we will appreciate being informed of the action (s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (form attached) within 60 days from receipt hereof.


JEREMIA A. LAGUNDA
State Auditor IV
OIC Supervising Auditor

Copy furnished:

1. The Secretary, Sangguniang Bayan, Jagna, Bohol
2. Commission Proper, COA Central Office, Quezon City
3. Bureau of Local Government Finance
4. The Secretary, Department of Interior & Local Government
5. National Library (Soft Copy)
6. University of the Philippines Law Center (Soft Copy)
7. COA Central Library (Soft Copy)

**Municipality of Jagna
Province of Bohol**

**AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2021
As of _____**

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

Name and Position of Agency Officer Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) On-going, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

ON THE

**MUNICIPALITY OF JAGNA
PROVINCE OF BOHOL**

FOR THE YEAR ENDED DECEMBER 31, 2021

EXECUTIVE SUMMARY

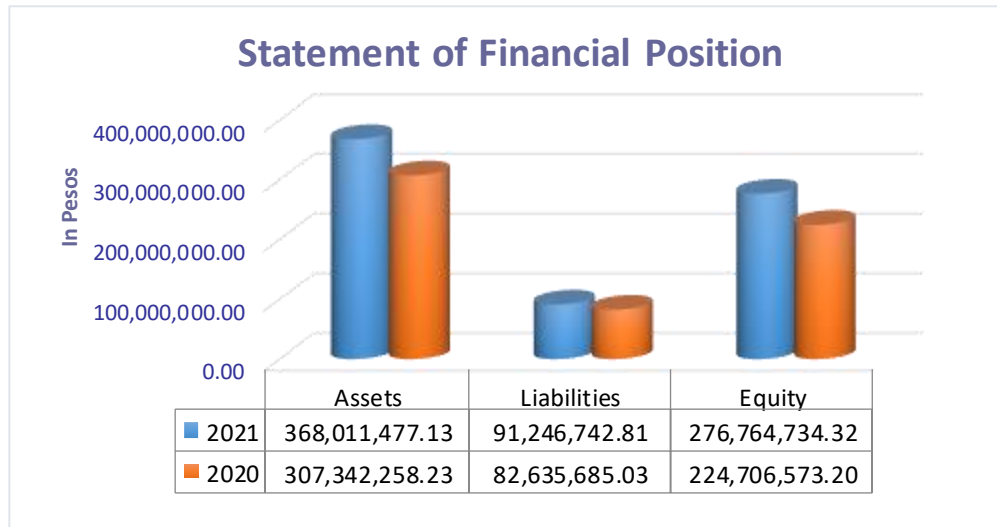
The Municipality derives its mandates from Republic Act No. 7160, known as the Local Government Code of 1991. The Code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents. It is committed to discharge its mandated functions and responsibilities with the highest degree of integrity, dedication and nationalism, and to deliver prompt, responsive and quality service to its constituents.

The Municipality of Jagna, Bohol was created under Executive Order No. 204. As of 31 December 2021, its personnel complement is the following:

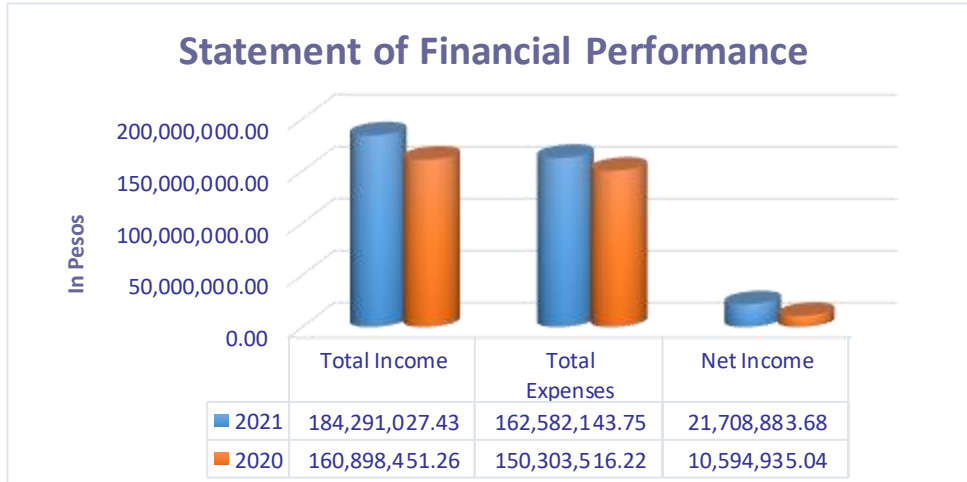
<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	12
Permanent Positions	71
Casuals/Job-orders	323

FINANCIAL HIGHLIGHTS

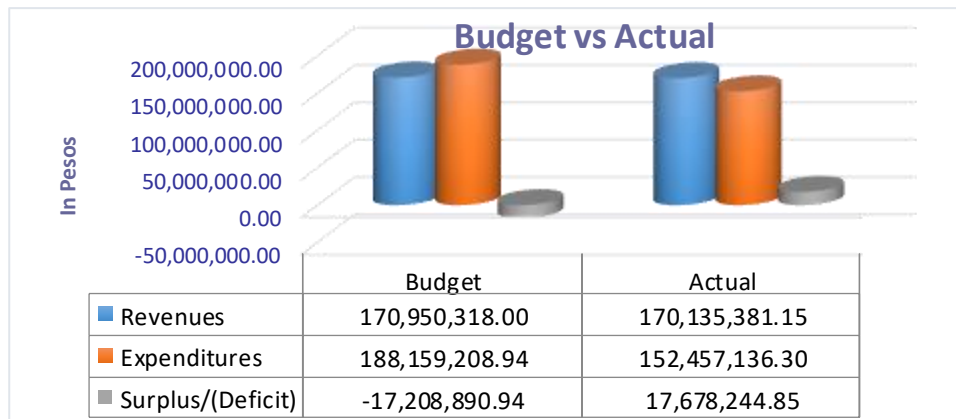
During Calendar Year 2021, the Statement of Financial Position of the municipality showed an increase in assets, liabilities and equity from that of CY 2020 and is graphically presented as follows:



The Statement of Financial Performance for CY 2021 showed a decrease in income and expenses, while the net income increased from CY 2020. It is graphically illustrated in the next page.



The following graph illustrates the comparison of budget versus actual amounts of revenues, expenditures and surplus for the calendar year 2021.



SCOPE OF AUDIT

The audit covered the operations of the Municipality of Jagna for the period January 1 to December 31, 2021. The objectives of the audit were to ascertain the fairness of presentation and reliability of the financial position and financial performance, to determine whether the programs, projects and activities for the year were attained in an efficient, economical and effective manner. We also conducted compliance audit to check the validity and propriety of the transactions and adherence to pertinent laws, rules and regulations. The audit consisted of review of operating procedures; interview with concerned government officials and employees; verification, reconciliation and analysis of accounts; post audit; validation of projects; and such other procedures considered necessary.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the municipality due to the deficiency cited below:

1. Due to NGAs totaling ₱4,381,351.94 remained in the books for more than two (2) years, due to non-return of the fund to the source agency/non-implementation of the projects, thus, bloated the balance of the account of ₱32,815,485.58 as of December 31, 2021, rendering the same unreliable. Further, this renders the LGU non-compliant to the provision of COA Circular No. 94-013. (*Part II, CY 2021 AAR, Page 43-46*)
2. Due from Local Government Units has a substantial outstanding/unliquidated amount of ₱13,500,000.00 as of December 31, 2021. Non-monitoring on the funds gives doubt to the accuracy of the affected account causing overstatement of the receivable account and understatement of its expenses by the same amount. (*Part II, CY 2021 AAR, Page 46-48*)

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. Only 45% or a total of ₱12,615,755.16 of the programs/projects/activities (PPA) of the 20% development fund under the CY 2021 approved budget of ₱ ₱26,096,563.60 and supplemental budget of ₱2,000,000.00 totaling ₱28,096,563.60 was utilized/implemented as at November 24, 2021 thus, the purpose/s to which the fund was established/created may be defeated and benefits due to the constituents not delivered as scheduled.

We recommend that the Local Chief Executive, in coordination with the Municipal Planning and Development Coordinator and other officers, work out the full utilization of the 20% Development Fund as programmed to be able to give to the public the benefits they can derive out of the programs/projects/activities aligned for the 20% Development Fund.

2. Expenses totaling ₱97,982.42 charged to Representation Expenses were deficient of supporting documents that cast doubts its validity, propriety and legality.

We recommend the Municipal Accountant and the Municipal Budget Officer to thoroughly review the supporting documents of claims regarding meal and snacks incurred, whether these claims are chargeable against representation, otherwise it will be charged to travelling expenses in the per diem of the travelling official.

3. Advance payments made to contractors in the total amount of ₱934,421.18 were not supported with irrevocable standby letter of credit of equivalent value or

surety bond callable upon demand pursuant to Item 4 of Annex E of the Revised Implementing Rules and Regulation of RA 9184, thus posing possible loss should the contractor remiss its obligations.

We recommend the management to discontinue granting advance payment on 15% mobilization cost on contracts entered into unless such requests are duly supported with an irrevocable standby letter of credit from a commercial bank, bank guarantee or a surety bond callable upon demand issued by a surety or an insurance company duly licensed by the Insurance Commission pursuant to Annex E of the Revised IIR of RA 9184.

4. Warranty security for the project: Market Ceiling Fans/Lightings/Paintings (Phase 1) with a contract amount of ₱1,123,132.50 was not enforced, contrary to Section 62.2.3.4 of the Revised IRR (R-IRR) of RA 9184, thereby, defeating the intent of the law and putting the LGU at a disadvantage in case of structural defects and failures thereto within the period covered by the warranty.

We recommend that management strictly enforce the posting of warranty security by the contractor after the issuance of Certificate of Final Acceptance pursuant to the provisions of the IRR of RA 9184. To ensure that the warranty security is posted, the LGU may make it as a requirement before returning the 10% retention money due the contractor one year after the completion of the project after which the warranty period shall commence.

5. Various deficiencies were noted in the accounting and reporting of Infrastructure Assets with values stated totaling ₱80,759,956.00, among others, contrary to pertinent provisions of COA Circular 2015-008, thereby affecting the fair presentation of the accounts in the financial statements.

We recommend the management to instruct the Municipal Accountant, GSO, Municipal Engineer and the Inventory Committee to strictly perform their duties and responsibilities in the accounting and reporting of Local Road Network as mandated under COA Circular No. 2015-008. Prepare appropriate adjusting journal entries to recognize depreciation of the Infrastructure Assets, Books as well as that of the Agricultural and Forestry Equipment accounts.

6. Repairs and maintenance of motor vehicles totaling ₱113,410.00 were not supported with documents indicating the history of repair of each motor vehicle contrary to Section 9.1.3.4 of COA Circular No.2012-001, thus validity of the repair cannot be ascertained.

We recommend the Accounting Office to reconstruct the maintenance/repair record of each vehicle owned and/or operated by the municipal government. Henceforth, require the repair history of motor vehicles before repair work is to be done and also before payment of repair expenses.

7. Unused mandatory leave of five (5) days were not deducted from the earned leave of the municipal officials and employees which is not in consonance with Section 25 of the Omnibus Rules on Leave, Rule XVI of the Civil Service Memorandum Circular No. 42, thus, resulted in the misstated computation and overpayment of accumulated leave credits.

We recommend the Human Resource Management Officer to work back and deduct the five (5) days unused mandatory leave credits of all municipal officials and employees in order to arrive at correct accumulated balances. We also recommend that demand of return for the overpaid terminal benefits be made to the payees and furnish copy of the Official Receipt for the refund of overpaid terminal benefits to the Audit Team. Otherwise, the overpaid amount be disallowed in audit.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

	Beginning Balances (As of January 1, 2021)	This Period January 1, 2021 to December 31, 2021 (See B Below)		Ending Balance (As of December 31, 2021)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 1,714,350.19	₱ -0-	₱ -0-	₱ 1,714,350.19
Notice of Disallowance	₱ 1,415,118.50	462,720.00		₱ 1,877,838.50
Notice of Charge				
Total	₱ 3,129,468.69	₱ 462,720.00	₱ -0-	₱ 3,592,188.69

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the ten (10) audit recommendations embodied in Part II of the CY 2020 Annual Audit Report (AAR), all ten (10) were fully implemented.

On the other hand, Part III of CY 2020 AAR included six (6) audit recommendations of which two (2) were fully implemented, two (2) partially implemented and two (2) were not implemented during CY 2021.

TABLE OF CONTENTS

PART		PAGE
I -	AUDITED FINANCIAL STATEMENTS	
	• Independent Auditor’s Report	1-2
	• Statement of Management Responsibility for Financial Statements	3
	• Consolidated Statement of Financial Position	4
	• Consolidated Statement of Financial Performance	5
	• Statement of Cash Flows	6
	• Statement of Net Changes in Assets/Equity	7
	• Statement of Comparison of Budget and Actual Amounts	8-10
	• Notes to Financial Statements	11-42
II -	DETAILED FINDINGS AND RECOMMENDATIONS	43-63
	• Financial and Compliance Audit of COVID-19 Fund Receipts, Allocation and Utilization	
	• Financial Audit	
	• Compliance Audit	
	• Status of Statement of Audit Suspensions, Disallowances and Charges Issued and/or Settled During the Year	
	• Compliance with Tax Laws	
	• Gender and Development	
	• Compliance to GSIS Deductions and Remittances	
	• Fiesta Related Expenses	
	• Local Council for the Protection of Children (LCPC)	
III -	STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS	64-75
IV -	ANNEXES	76

Part I

AUDITED FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

HONORABLE JOSEPH A. RAÑOLA
Municipal Mayor
Municipality of Jagna

Qualified Opinion

We have audited the financial statements of the Municipality of Jagna, Bohol which comprise the Statement of Financial Position as at December 31, 2021, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality of Jagna, Bohol as at December 31, 2021 and its financial performance, its cash flows, and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

We rendered a qualified opinion on the financial statements due to the following:

1. Due to NGAs totaling ₱4,381,351.94 remained in the books for more than two (2) years, due to non-return of the fund to the source agency/non-implementation of the projects, thus, bloated the balance of the account of ₱32,815,485.58 as of December 31, 2021, rendering the same unreliable. Further, this renders the LGU non-compliant to the provision of COA Circular No. 94-013. (*Part II, CY 2021 AAR, Page 43-46*)
2. Due from Local Government Units has a substantial outstanding/unliquidated amount of ₱13,500,000.00 as of December 31, 2021. Non-monitoring on the funds gives doubt to the accuracy of the affected account causing overstatement of the receivable account and understatement of its expenses by the same amount. (*Part II, CY 2021 AAR, Page 46-48*)

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the LGU's financial reporting process.

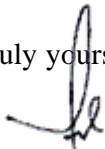
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By Authority of the Chairperson:

Very truly yours,



FIEL HAROLD S. ESO

State Auditor II

OIC-Audit Team Leader R7-05

Date: March 30, 2022





Municipality of JAGNA
Province of Bohol
Republic of the Philippines

Statement of Management Responsibility for Financial Statements

The Management of the *Local Government Unit of JAGNA, Bohol* is responsible for all information and representation contained in the Statement of Financial Position as of December 31, 2021 and the related Financial Performance, Statement of Cash Flows Statement of Changes in Net Assets / Equity, and Statement of Comparison between Budget and Actual Amounts, for the period ended. The financial statements have been prepared in conformity with the International Public Sector Accounting Standards (IPSAS) and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.


ZENAIDA A. GALORIO
Municipal Accountant


HON. JOSEPH A. RAÑOLA, MPA
Municipal Mayor

Note I - Profile

Note 1. General/Agency Profile

1.1. Brief History



Jagna appears in historical documents as early as March 15, 1565 when Miguel Lopez de Legazpi was driven by unfavorable winds towards Jagna Bay after his expedition left Camiguin Island heading for Butuan.

Three days later, the first mass in Bohol was celebrated in Jagna shores by Fr. Andres Urdaneta and other friars aboard the flagship “San Pedro” as it also underwent repairs prior to its invasion in Cebu.

The Augustinian Recollect priest Father Ambrosio Iturriaga, the author of the *Libro de Cosas Notables de Jagna* (the first written history of Jagna) tells that 1631 was the year when the missionaries of Society of Jesus “erected the mission of Jagna under the invocation of Saint Michael Archangel” and 29 September has been the *fiesta* of the parish of San Miguel de Jagna since time immemorial.

The first minister of Jagna was the Jesuit priest, Father José Sánchez, an Austrian by birth who bore a Spanish surname. Tradition has it—and it has been affirmed by Father Iturriaga himself—that the first Jesuit missionary constructed the priest’s quarters and the parish church with a *retablo*.

On account of the suppression and expulsion of the Society of Jesus in these Islands, in the year 1768 the spiritual administration of Bohol was ceded to the

Augustinian Recollect missionaries, and from that date on, the *Cosas notables* author could identify almost every missionary priest who worked in this ministry up to 1898 with the information of their accomplishments and the significant events that took place in the curacy.

Three towns bounded Jagna in 1850: Guindulman, Loboc and Dimiao. In 1879 the number would be reduced into two: García-Hernández ten kilometers west and Duero nine kilometers east in the wake of the separation and creation of new towns and parishes.

Three etymologies have been offered by various authors for a typonymic study of Jagna.

In the **Vocabularion de la Lengua Bisaya** (Vocabulary of the Visayan Language) by Fr. Matheo Sanchez, S.J. and published in Manila in 1711, the Visayan term **hagna** is the equivalent of the Spanish **cienaga** which is **swamp or marshy moor**. In addition, Hagna refers to a pueblo in Bohol, known by another name **San Miguel (St. Michael)**.

But according to oral tradition, the name of Jagna was derived from the legendary vernacular exclamation “*ni hagna na*”. Local folklore relates that the now dried-up Boho River beside the present-day municipal building used to teem with fish called “*tigue*”. When this fish played near the water surface, it is said that the water sizzled like coconut oil boiling. Upon seeing this, the people would exclaim *ni hagna na* which literally means that the cooking was almost done.

Note II - The consolidated financial statements of the LGU have been prepared in accordance with the Philippine Public Sector Accounting Standards (PPSAS). The consolidated financial statements are presented in Philippine Peso, which is the functional and reporting currency of the LGU. The accounting policies have been applied starting the year 2015.

Note III - Summary of significant accounting policies

3.1 Basis of accounting

The [consolidated] financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).

3.2 Consolidation

The controlled entities (funds) are all those over which the controlling entity has the power to govern the financial and operating policies. Inter-group transaction, balances and unrealized gains and losses on transactions between entities and funds are eliminated in full. The LGU maintains

special accounts under the General Fund for the following economic enterprises it operates:

- Market
- Waterworks System
- 20% Development Fund
- Proper

3.3 Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

The LGU recognizes revenues from taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, liability is recognized instead of revenue. Other non-exchange revenues are recognized when it is improbable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the LGU and can be measured reliably.

Revenue from exchange transactions

Rendering of services

The LGU recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses are incurred.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial

asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from the use of heavy equipment owned by the LGU is included in revenue.

3.4 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the LGU recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, the asset is initially measured at its fair value.

Depreciation on assets is charged on a straight-line basis over the useful life of the asset. The salvage value of the PPE has been changed from 10% to 5% starting 2016.

Depreciation is charged at rates calculated to allocate cost or valuation of the asset less any estimated residual value over its remaining useful life. The useful life used is based on COA Circular No. 2003-007, dated December 11, 2003, since no new circular has been issued after the PPSAS implementation.

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount. The LGU derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

The LGU availed of the 5-year transitional provision for the recognition of the Public Infrastructure. Public Infrastructures were recognized in the books starting

2016. Those closed to Government Equity from 2013 to 2015 have been recognized and presented in the Financial Statements in 2016.

4 Impairment of non-financial assets

Impairment of cash-generating assets

At each reporting date, the LGU assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the LGU estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of financial performance in those expense categories consistent with the nature of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the LGU estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

Impairment of non-cash-generating assets

The LGU assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the LGU estimates the asset's

recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

In assessing value in use, the LGU has adopted the depreciation replacement cost approach. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. In determining fair value less costs to sell, the price of the assets in a binding agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributed to the disposal of the asset is used. If there is no binding agreement, but the asset is traded on an active market, fair value less cost to sell is the asset's market price less cost of disposal. If there is no binding sale agreement or active market for an asset, the LGU determines fair value less cost to sell based on the best available information.

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the management estimates the asset's recoverable service amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

5 Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The LGU determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way

trades) are recognized on the trade date, i.e., the date that the LGU commits to purchase or sell the asset.

The LGU's financial assets include cash, trade and other receivables. It may also include short-term deposits, loans and other receivables and quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the LGU has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Derecognition

The LGU derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- a) The rights to receive cash flows from the asset have expired or is waived;
- b) The LGU has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the LGU has transferred substantially all the risks and rewards of the asset; or (b) the LGU has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The LGU assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- a) The debtors or a group of debtors are experiencing significant financial difficulty;
- b) Default or delinquency in interest or principal payments;
- c) The probability that debtors will enter bankruptcy or other financial reorganization; and
- d) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the LGU first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the LGU determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The LGU determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings.

The LGU's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses

are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, net of outstanding bank overdrafts.

7 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or

deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the LGU.

8 Provisions

Provisions are recognized when the LGU has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the LGU expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The LGU does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The LGU does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the LGU in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

9 Changes in accounting policies and estimates

The LGU recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The LGU recognizes the effects of changes in accounting estimates prospectively by including them in surplus or deficit.

The notable change in accounting policy / estimate is the salvage value of Property, Plant and Equipment (from 10% to 5%) which was applied in 2016.

10 Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

11 Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Furthermore, borrowing costs are charged to the statement of financial performance.

12 Related parties

The LGU regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the LGU, or vice versa. Members of key management are regarded as related parties and comprise the Mayor, Vice-Mayor, Sanggunian Bayan Members, Municipal Accountant, Municipal Treasurer, Municipal Budget Officer, and all other Department/Office Heads.

13 Budget information

The annual budget is prepared on the modified cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the LGU. As a result of the adoption of the modified cash basis for budgeting purposes, there are basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

14 Significant judgments and sources of estimation uncertainty

Judgments

In the process of applying the LGU's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The LGU based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the LGU. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset.

Impairment of non-financial assets – cash-generating assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of tangible assets.

The LGU reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash-generating assets are grouped at the lowest level for which identifiable cash flows

are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Impairment of non-financial assets – non- cash generating assets

The LGU reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the LGU undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the used estimates and assumptions.

Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Fair value estimation – financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the LGU;

- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset

Impairment of non-financial assets – cash-generating assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact management's estimations and require a material adjustment to the carrying value of tangible assets.

The LGU reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Cash-generating assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Impairment of non-financial assets – non- cash generating assets

The LGU reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that there may be a reduction in the future service potential that can reasonably be expected to be derived from the asset. Where indicators of possible impairment are present, the LGU undertakes impairment tests, which require the determination of the fair value of the asset and its recoverable service amount. The estimation of these inputs into the calculation relies on the used estimates and assumptions.

Any subsequent changes to the factors supporting these estimates and assumptions may have an impact on the reported carrying amount of the related asset.

Fair value estimation – financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit

risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Note 4 – Cash and Cash Equivalents

	2021	2020
Cash on Hand		
Cash - Local Treasury	₱ 10,359.00	₱ 499.60
Cash in Bank-Local Currency		
Cash in Bank-Local Currency-CA	113,302,000.78	112,707,548.83
Total	₱ 113,312,359.78	₱ 112,708,048.43

Cash- Local treasury amounting to Ten Thousand Three Hundred Fifty-Nine & 0/100 (P10,359.00) only represent undeposited collections as of December 31, 2021, and deposited to Land Bank of the Phil. (LBP) Jagna Branch on January 3, 2022.

Cash in bank earns interest based on the prevailing bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the LGU and earned interest at the respective short-term deposit rates.

Cash in Bank are deposited in the following depository accounts:

	2021	2020
General Fund		
LBP-Tagb -Acct # 0612-110-212	₱ 616,153.13	₱ 615,898.31
LBP Jagna-Acct # 4302-100-000	73,980,421.85	69,231,088.82
LBP Tagb -Acct # 4302-101-499	5,480.65	1,814,004.00
FCB-Acct # 19-016-00042-4		262,718.02
FCB-Market-019-0106-0000045-3		67,737.36
FCB-ISWM-019-0106-0000028-2		62,280.09
FCB-ISWM-019-0106-0000054-2		617,234.28
Special Education Fund		
LBP Jagna- Acct # 4302-1000-26	1,316,708.21	1,815,145.39
FCB-Acct # 019-0106-0000044-5		126,204.78
Trust Fund		
LBP Tagb - Acct# 0612-1104-92	4,099,063.39	4,090,573.40
LBP Jagna- Acct # 4302-1000-18	30,347,538.60	33,555,618.12
LBP Tagb - Acct # 0612-1232-84	186,120.00	137,220.00
LBP Tagb - Acct# 0612-1232-76	51,610.00	16,405.00

LBP Tagb - Acct# 0612-1233-06	10,010.00	10,005.00
LBP Tagb - Acct# 0612-1232-92	10,010.00	10,005.00
LBP Jagna- Acct# 4302-1026-22	749,484.95	
LBP Jagna- Acct# 4302-1026-49	1,929,400.00	
FCB Acct # 019-0106-000-43-5		275,411.26
Total	₱ 113,302,000.78	₱ 112,707,548.83

In CY 2020, LGU Jagna has two depository accounts, namely, First Consolidated Bank (FCB) and Land Bank of the Philippines (LBP)-Tagbilaran and Jagna Branch. It was only in CY 2021 that LGU Jagna shifted to only one government depository bank, (LBP)-Tagbilaran and Jagna Branch in compliance with the Department of Finance (DOF) Circular No. 001-2015 which prevents agencies from exposing government funds to the risk of non-recovery in case of bankruptcy.

Note 5 - Receivables

	2021	2020
Loans and Receivable Accounts		
Real Property Tax Receivable	₱ 1,664,746.73	₱ 667,724.75
Special Education Tax Receivable	1,664,746.73	667,724.75
Total	₱ 3,329,493.46	₱ 1,335,449.50

Real Property Tax (RPT) / Special Education Tax (SET) Receivables account has a balance in the amount of Three Million Three Hundred Twenty-Nine Thousand Four Hundred Ninety-Three & 46/100 (₱ 3,329,493.46) only, Our Municipal Treasurer was not able to hit his RPT collection target for this year due to COVID -19 pandemic and Typhoon Odette.

As basis of recording RPT/SET Receivables, the Municipal Assessor usually provide data to the Municipal Treasurer with the grand total assessed value of all taxable real properties within the LGU at the end of the year. It will automatically become the legal basis for the target of the Municipal Treasurer for the following year.

	2021	2020
Inter-Agency Receivables		
Due from National Agencies	₱ 831,893.24	₱ 831,893.24
Due from Local Government Units	13,631,544.94	131,544.94
Total	₱ 14,463,438.18	₱ 963,438.18

Due from NGA's amounting to ₱831,893.24 are inherited accounts representing receivables from different offices of the national government. Collection letter had been sent but until now no payment nor reply was received.

Due from LGUs amounting to ₱13,631,544.94 represents the amount deposited to the Provincial Treasurer's Office in 1990 when there was still no available bank in our

place wherein, we could deposit our local collections. It also includes the financial assistance to 33 barangays amounting to ₱13,500,000.00 at 300,000.00 per barangay for CY 2020 & CY 2021 subject for liquidation in response to the COVID 19 pandemic and Typhoon Odette.

		2021		2020
Intra-Agency Receivables				
Due from Other Funds	₱	665,551.88	₱	910,064.10
Total	₱	665,551.88	₱	910,064.10

		2021		2020
Advances				
Advances to Special Disbursing Officer	₱	202,673.50	₱	11,634.25
Advances to Officers and Employees		3,752,320.00		3,746,722.00
Total	₱	3,954,993.50	₱	3,758,356.25

Advances-Special Disbursing Officers amounting to ₱202,673.50, were unliquidated as of December 31, 2021 due to the Typhoon Odette that hit the entire Province of Bohol, we experienced power outage which lasted more almost a month, hence, paralyzing our LGU transactions.

Advances for Officers and Employees amounting to ₱3,752,320.00 includes Mayor Fortunato Abrenilla's cash advance for Confidential Fund amounting to ₱2,697,600.00 for the period from June 2010 to December 2014. All liquidation report of the said cash advance was sent to COA Quezon City. Mayor Exuperio C. Lloren 's cash advance for Confidential fund in the total amount of ₱1,050,000.00 for the period from September 2008 to March 2010, had been liquidated and also sent to COA Quezon City. However, no credit advice had been received yet to date. It also includes the cash advance for Travel of Catalino Berro our SB Secretary amounting to ₱4,720.00 returned under OR. No. 1961017 dated January 3, 2022.

		2021		2020
Other Receivables				
Receivables-Disallowances/Charges	₱	394,537.41	₱	510,757.41
Other Receivables		437,132.25		437,132.25
Total	₱	831,669.66	₱	947,889.66

	Total	Neither past due or impaired	Past due but not impaired		
			<30 days	30- 60 days	>60 days
Real Property Tax Receivable	₱1,664,746.73				₱ 1,664,746.73
Special Education Tax Receivable	1,664,746.73				1,664,746.73.75
Due from NGAs	831,893.24				831,893.24
Due from LGUs	13,631,544.94				13,631,544.94
Due from Other funds	665,551.88				665,551.88
Advances for Payroll					
Receivables – Disallowances/ Charges	394,537.41				394,537.41
Advances for Officers and Employees	3,752,320.00				3,752,320.00
Advances Special Disbursing Officers	202,673.50				202,673.50
Other Receivables	437,132.25				437,132.25
T OTAL	₱23,245,146.68				₱23,245,146.68

Note 6 - Inventories

	2021	2020
Inventory Held for Consumption		
Office Supplies Inventory	₱ 321,766.53	₱ 71,544.75
Accountable Forms, Plates and Stickers	78,228.00	78,228.00
Total	₱ 399,994.53	₱ 149,772.75

At the end of the year, the different offices of LGU Jagna submit their list of unused office supplies at cost to the Accounting Office, as the basis of recording the Office Supplies Inventory Account.

Note 7 – Prepayments and Deferred Charges

	2021	2020
Prepayments		
Advances to Contractors	₱ 1,925,156.46	₱ 0.00
Prepaid Insurance	398,001.55	358,041.48
Total	₱ 2,323,158.01	₱ 358,041.48

Prepayments and Deferred Charges includes the 15% mobilization or cash advances to contractors as stated in the contract and authorized by law. Details are as follows:

SUPPLIERS	PARTICULARS	DATE	AMOUNT	REMARKS
CEVIC	Improvement of Market	8-20-2020	₱ 66,000.03	1-2 years
CONPLUS BUILDERS	Site Development of Carmoli	6-10-2020	228,415.65	1-2 years
CEVIC	Renovation of Comfort Room	3-23-2021	83,841.57	6 mos – 1 year
CEVIC	Const. of MRF Tubod Mar	2-17-2021	288,060.95	6 mos. – 1 year
FUENTABUILT	Improvement of Mayana Waterworks System	3-23-21	471,099.71	6 mos. – 1 year
BOHECO II	Installation of Primary line MRF – Tubod Mar	7-14-2021	63,238.55	6 mos. – 1 year
EC SOLICON BUILDERS	Improvement of Baywalk	12-14-2021	75,000.00	1 mo. – 6 mos.
Touchstone Builders	Imp. Of Waterworks-Odiong	11-16-2021	649,500.00	1 mo. – 6 mos.
TOTAL			₱1,925,156.46	

Prepaid Insurance is the amount advanced for LGU Properties insured at the Government Service Insurance System (GSIS).

Note 8 - Property, Plant and Equipment

During the current financial year, the LGU reviewed the estimated useful lives and residual values of property, plant and equipment, where appropriate.

The Local Chief Executive issued Executive Order No. 014-2021 dated April 21, 2021 “An Order Creating the Inventory Committee in the Municipality of Jagna, Bohol with the Chairperson Mr. Raymond Emmanuel F. Cuadra, our Municipal Treasurer. The Report on the Physical Count of Property, Plant and Equipment (RCPPE) and Report of Inventory and Inspection of Unserviceable Property (IIRUP) were submitted to COA Office during the Entrance Conference last October 28, 2021.

Consolidated Property, Plant and Equipment (Amounts are in Peso)					
Property, Plant and Equipment	January 1, 2021	Additions	Disposals	Transfers/ Adjustments	December 31, 2021
Land					
Land	₱ 9,481,482.20	₱7,156,118.33	₱	₱	₱16,637,600.53
Land Improvements					
Other Land Improvements	424,268.68	516,635.50			940,904.18
Infrastructure Projects					
Road Networks	23,800,758.90			(104,325.68)	23,696,433.22
Flood Control System	3,166,153.17			(141,405.85)	3,024,747.32
Water Supply Systems	25,133,937.89	8,994,399.75			34,128,337.64
Parks, Plaza and Monuments	1,562,734.90	940,743.49			2,503,478.39
Other Infrastructure Assets	17,496,002.00			(89,042.57)	17,406,959.43
Buildings and Other Structures					
Buildings	12,438,142.18			(1,058,155.73)	11,379,986.45
School Buildings	115,557.05	130,000.00			245,557.05
Hospitals and Health Centers	2,783,986.74	1,398,008.05			4,181,994.79
Markets	17,569,061.96	51,249,388.97			68,818,450.93
Slaughter Houses	1,039,627.88			(869,810.97)	169,816.91
Other Structures	52,726,321.97			(17,851,264.49)	34,875,057.48
Machinery and Equipment					
Machinery	4,652,104.00			(2,067,197.00)	2,584,907.00
Office Equipment	4,737,583.08			(666,206.94)	4,071,376.14
Information and Communication Technology Equipment	6,749,856.72			(1,835,206.49)	4,914,650.23
Communication Equipment	154,410.00	300,937.94			455,347.94
Construction and Heavy Equipment	29,637,000.00	1,835,301.00			31,472,301.00
Disaster Response and Rescue Equipment	393,698.87			(229,378.87)	164,320.00
Military, Police and Security Equipment	2,341,132.27				2,341,132.27
Medical Equipment	1,271,913.30			(94,913.30)	1,177,000.00
Other Machinery and Equipment	595,931.25			(159,902.45)	436,028.80
Transportation Equipment					
Motor Vehicles	20,782,123.24			(644,499.85)	20,137,623.39
Watercrafts	138,834.00			(3,000.00)	135,834.00
Other Transportation Equipment	1,254,175.72			(14,175.72)	1,240,000.00
Furniture, Fixtures and Books					
Furniture and Fixtures	2,660,174.35			(851,025.46)	1,809,148.89
Books	182,800.00	3,950.00			186,750.00
Construction in Progress					
Construction in Progress - Infrastructure Assets	10,038,941.41				10,038,941.41
Construction in Progress - Building and Other Structure	1,111,916.80				1,111,916.80
Other Property, Plant and Equipment					
Other Property, Plant and Equipment	1,385,581.20			(177,567.82)	1,208,013.38
Total	₱255,826,211.73	₱72,525,483.03	₱	₱(26,857,079.19)	₱301,494,615.57

Consolidated Property, Plant and Equipment (Amounts are in Peso)					
Property, Plant and Equipment	1/1/21 Accu. Depreciation	Depreciation	Adjustments	12/31/21 Accu Depreciation	Net Book Value
Land					
Land	₱	₱	₱	₱	₱16,637,600.53
Land Improvements					
Other Land Improvements					940,904.18
Infrastructure Projects					
Road Networks					23,696,433.22
Flood Control System					3,024,747.32
Water Supply Systems					34,128,337.64
Parks, Plaza and Monuments					2,503,478.39
Other Infrastructure Assets					17,406,959.43
Buildings and Other Structures					
Buildings	4,047,766.31	878,800.84		4,926,567.15	6,453,419.30
School Buildings	95,721.34			95,721.34	149,835.71
Hospitals and Health Centers	1,247,727.99	22,470.95		1,270,198.94	2,911,795.85
Markets	7,504,063.01	840,474.95		8,344,537.96	60,473,912.97
Slaughterhouse	175,933.39			175,933.39	(6,116.48)
Other Structures	20,512,352.20	4,996,080.90		25,508,433.10	9,366,624.38
Machinery and Equipment					
Machinery	1,416,625.28	409,582.55		1,826,207.83	758,699.17
Office Equipment	2,728,797.74	554,889.96		3,283,687.70	787,688.44
Information and Communication Tech Eqpt	4,353,358.97	896,473.47		5,249,832.44	(335,182.21)
Agricultural and Forestry Equipment	51,962.68	3,266.63		55,229.31	(55,229.31)
Communication Equipment	120,854.98	25,840.69		146,695.67	308,652.27
Construction and Heavy Equipment	3,678,157.50	1,705,305.00		5,383,462.50	26,088,838.50
Disaster Response and Rescue Equipment	206,973.13	35,234.88		242,208.01	(77,888.01)
Military, Police and Security Equipment	562,334.33	210,685.09		773,019.42	1,568,112.85
Medical Equipment	264,588.60	114,324.24		378,912.84	798,087.16
Other Machinery and Equipment	215,617.11	47,064.60		262,681.71	173,347.09
Transportation Equipment					
Motor Vehicles	10,559,813.65	1,798,683.13		12,358,496.78	7,779,126.61
Watercrafts	101,235.51	12,498.17		113,733.68	22,100.32
Other Transportation Equipment	326,658.40	112,193.15		438,851.55	801,148.45
Furniture, Fixtures and Books					
Furniture and Fixtures	903,498.40	216,643.21		1,120,141.61	689,007.28
Books					186,750.00
Construction in Progress					
Construction in Progress – Infra Assets					10,038,941.41
Construction in Progress - Building and Other Structure					1,111,916.80
Other Property, Plant and Equipment					
Other Property, Plant and Equipment	926,515.58	128,728.93		1,055,244.51	152,768.87
Total	₱60,000,556.10	₱13,009,241.34	₱	₱73,009,797.44	₱228,484,818.13

Note 9 – Breeding Stocks

	2021	2020
Bearer Biological Assets		
Breeding Stocks	₱ 246,000.00	₱ 328,000.00
Total	₱ 246,000.00	₱ 328,000.00

For Breeding Stocks Inventory, the details are as follows:

SWINE:

BARANGAY	NO. OF HEADS	DATE	AMOUNT
Boctol	3	07/21/2021 to 10-18-2021	₱ 6,000.00
Bunga Ilaya	1	10/13/2020	2,000.00
Cabunga-an	12	01/09/2021 to 11/06/2021	24,000.00
Calabacita	15	11/20/2019 to 10/30/2021	30,000.00
Canjulao	4	01/06/2021	8,000.00
Can-ipol	2	03/09/2021	4,000.00
Can-upao	1	12/08/2021	2,000.00
Cantagay	1	08/24/2021	2,000.00
Cambugason	8	06/15/2020 to 12/11/2021	16,000.00
Faraon	2	04/30/2019	4,000.00
Larapan	1	02/26/2021	2,000.00
Lonoy	9	04/20/2020 to 12/31/2021	18,000.00
Malbog	1	05/18/2020	2,000.00
Mayana	2	01/15/2021 to 02/18/2021	4,000.00
Naatang	1	09/27/2021	2,000.00
Nausok	1	09/27/2021	2,000.00
Odiong	5	08/15/2020 to 10/10/2021	10,000.00
Tubod Monte	1	07/05/2020	2,000.00
Tejero	3	06/02/2021 to 11/16/2021	6,000.00
Sub Total:			₱ 146,000.00

CARABAO:

RECEIPIENTS	NO. OF HEADS	SEX	DATE ACQUIRED	AMOUNT
Jesusito/Richard Ranis	1	Female	12-01-2016	₱ 20,000.00
Armando Salabit	1	Female	10-13-2017	20,000.00
Noel Edulan	1	Female	09-04-2019	20,000.00
Vicente Odarve	1	Female	06-03-2020	20,000.00
Arnold Acdal	1	Female	07-23-2020	20,000.00
Sub Total:				₱100,000.00
Total Value Breeding Stocks				₱246,000.00

Note 10 – Liabilities

	2021		2020
Financial Liabilities			
Accounts Payable	₱ 9,109,444.11	₱	11,611,539.45
Interest Payable			73,002.70
Total	₱ 9,109,444.11	₱	11,684,542.15

Accounts Payable represents obligated transactions as of December 31, 2021 and paid in January 2022.

	2021		2020
Loans Payable - Domestic			
Loans Payable – Current	₱ 1,979,666.72	₱	3,504,484.48
Loans Payable – Non-Current	17,347,863.16		17,802,712.12
Total	₱ 19,327,529.88	₱	21,307,196.60

The LGU Jagna availed LOAN from Land Bank of the Philippines under the administration of the former LCE, the late Hon. Fortunato R. Abrenilla for the Establishment of Integrated Eco-Center Facility which was approved last May 23, 2017. The Principal Amount of ₱44,350,000.00 is payable for 15 years inclusive of three (3) years grace period on principal repayment, under prevailing interest rate at the time of availment subject to quarterly re-pricing. Maturity date will be September 28, 2028. The first release was in October 2018 intended for the Purchase of Heavy Equipment such as Backhoe and Dump truck. The second release was also in October 2018 for the Access Road from National Highway to the Establishment of Integrated Eco-Center Facility at Barangay Tubod Mar. The third release was in June 2019 for the purchase of Garbage Compactor and Recycling Equipment and the fourth release was in October 2019 for additional funding for Access Road to ECO PARK.

	2021		2020
Inter-Agency Payables			
Due to BIR	₱ 576,490.78	₱	P1,099,090.31
Due to GSIS			25,691.83
Due to Pag-Ibig			
Due to NGAs	44,400,690.10		29,789,763.68
Due to LGUs	6,786,865.99		5,374,376.29
Total	₱ 51,764,046.87	₱	36,288,922.11

Due to BIR amounting to ₱576,490.78 represents the withholding from Compensation Income of LGU Employees and payments for Suppliers/Contractors which was remitted thru online payment to Land Bank of the Philippines last January 10, 2022. The LGU Jagna is adopting the Electronic Filing Payment System (EFPS) through Land Bank of the Philippines (LBP), Tagbilaran City.

Due to NGA's comprises, among others, ₱18,948,561.29 Financial Assistance from Office of the President for Typhoon Odette victims amounting ₱5,341,720.00. It also includes the Improvement of Jagna Insular Plaza from DBM LGSF-FA 2021 amounting to ₱5,000,000.00 and Financial Assistance from DILG Office AM 2020 for Provision of Potable Water Supply System amounting to ₱4,334,000.00, which will be implemented in CY 2022.

Due to LGU's includes Real Property Tax Collections due to the Provincial Government which will be remitted January 2022, 50% Community Tax - Barangay share and Financial Assistance from the Provincial Government for Improvement / Rehabilitation of Waterworks System amounting to ₱1,000,000.00 and Special Risk Allowance (SRA) for all frontliners amounting to ₱946,979.17 which will be implemented in CY 2022.

	2021	2020
Intra-Agency Payables		
Due to Other Funds	₱ 665,551.88	₱ 910,064.01
Total	₱ 665,551.88	₱ 910,064.01

Due to Other Funds represents the RPT barangay share and SEF share which will be transferred to Trust Fund and SEF Account on January 2022.

	2021	2020
Trust Liabilities		
Trust Liabilities - DRRM	₱ 2,665,400.32	₱ 4,895,706.21
Guaranty/ Security Deposits Payable	2,988,663.68	5,489,476.35
Total	₱ 5,654,064.00	₱ 10,385,182.56

The account Trust Liabilities – DRRM is broken down as follows:

Year	Amount
2021	₱ 3,429.33
2020	2,661,970.99
Total	₱ 2,665,400.32

The Guaranty/Security Deposits Payable amounting to ₱2,988,663.68 pertains to receipt of cash bond from contractors/suppliers to guaranty that the winning contractors/suppliers shall enter into contract with the LGU. It also includes the performance bond by the contractor/suppliers of the terms of the contract.

	2021	2020
Deferred Credits/ Unearned Income		
Deferred Real Property Tax	₱ 1,664,746.73	₱ 667,724.75
Deferred Special Education Tax	1,664,746.73	667,724.75
Other Deferred Credits	510,073.97	510,073.97
Total	₱ 3,839,567.43	₱ 1,845,523.47
	2021	2020
Other Payables		
Other Payables-Current	₱	₱ 214,254.13
Other Payables-Non-Current	886,538.64	
Total	₱ 886,538.64	₱ 214,254.13

Other Payable amounting to ₱886,538.64 includes stale checks from General fund and Trust Fund Account.

Note 11 – Tax Revenue

	2021	2020
Tax Revenue-Individual and Corporation		
Community Tax	₱ 753,841.05	₱ 704,722.58
Tax Revenue-Property		
Real Property Tax-Basic	1,493,905.47	1,543,089.94
Discount on Real Property Tax-Basic	(414,739.68)	(408,148.74)
Special Education Tax	1,440,147.51	1,997,095.89
Discount on Real Property Tax		(408,148.74)
Tax Revenue-Goods and Services		
Business Tax	6,767,787.97	8,006,537.56
Amusement Tax		3,000.00
Franchise Tax	514,800.00	514,800.00
Tax Revenues-Others		
Other Taxes	836,672.26	1,042,089.20
Tax Revenues-Fines and Penalties		
Tax Revenue-Fines and Penalties-	124,322.29	136,215.65
Other Taxes		
Total	₱ 11,516,736.87	₱ 13,131,253.34

Note 12 – Share from National Taxes

	2021	2020
Share from National Taxes		
Share from Internal Revenue Collection	₱ 130,482,818.00	₱ 121,745,443.00
Total	₱ 130,482,818.00	₱ 121,745,443.00

Note 13 – Service and Business Income

	2021	2020
Service Income		
Permit Fees	₱ 2,502,283.47	₱ 2,436,546.40
Registration Fees	648,171.00	676,909.00
Clearance and Certification Fees	1,283,149.64	1,180,700.59
Inspection Fees	35,712.00	12,480.00
Fees for Sealing and Licensing of Weights and Measures	23,160.00	23,160.00
Fines and Penalties-Service Income	188,984.10	273,216.69
Other Service Income	101,275.59	
Business Income		
Rent Income	17,720.00	80,384.50
Waterworks System Fees	6,764,016.82	6,000,151.69
Parking Fees		
Receipts from Market Operations	12,249,004.08	10,650,007.71
Slaughterhouse Operation	434,080.00	500,095.00
Garbage Fees	1,757,320.58	1,755,450.00
Hospital Fees	1,917,690.00	2,267,332.00
Interest Income	40,705.36	135,080.00
Total	₱ 27,963,272.64	₱ 25,991,513.58

Note 14 - Shares, Grants and Donations

	2021	2020
Share		
Share from PCSO	₱ 156,350.67	₱
Grants and Donations		
Grants and Donations in Cash	14,155,646.28	
Grants and Donations in Kind		
Total	₱ 14,311,996.95	₱

Note 15 - Other Income

	2021	2020
Miscellaneous Income		
Miscellaneous Income	₱ 16,202.97	₱ 30,241.34
Total	₱ 16,202.97	₱ 30,241.34

Note 16 - Employee Cost

	2021	2020
Salaries and Wages		
Salaries and Wages-Regular	₱ 35,481,889.92	₱ 33,016,154.24
Salaries and Wages-Casual/Contractual	631,476.00	1,398,629.00
Other Compensation		
Personnel Economic Relief Allowance (PERA)	2,206,727.33	2,148,818.19
Representation Allowance (RA)	1,765,500.00	1,797,000.00
Transportation Allowance (TA)	1,665,900.00	1,715,400.00
Clothing/Uniform Allowance	558,000.00	558,000.00
Subsistence Allowance	217,900.00	214,400.00
Laundry Allowance	19,375.00	18,625.00
Productivity Incentive Allowance		
Honoraria	25,000.00	13,500.00
Hazard Pay	1,147,964.30	1,050,309.40
Longevity Pay		
Year End Bonus	5,955,102.70	5,498,245.00
Cash Gift	467,250.00	446,000.00
Other Bonuses and Allowances	698,000.00	442,500.00
Personnel Benefit Contribution		
Retirement and Life Insurance Premium	4,128,675.05	4,001,322.14
Pag-IBIG Contributions	109,300.00	106,000.00
PhilHealth Contribution	470,388.38	452,405.61
Employees Compensation Insurance Premium	109,200.35	106,324.86
Other Personnel Benefits		
Terminal Leave Benefits	4,527,017.56	660,006.13
Other Personnel Benefits	4,139,903.41	4,215,500.00
Total	₱ 64,324,570.00	₱ 57,859,139.57

Note 17 - Maintenance and Other Operating Expenses

	2021	2020
Traveling Expenses		
Travelling Expenses - Local	₱ 951,710.00	₱ 1,232,429.06
Training and Scholarship Expenses		
Training Expenses	300,401.00	273,260.00
Scholarship Grants/Expenses		
Supplies and Materials Expenses		
Office Supplies Expenses	749,269.67	1,566,701.72
Accountable Forms Expenses	416,903.00	446,868.00
Animal/Zoological Supplies Expenses	22,365.00	45,464.00
Food Supplies Expenses	175,629.55	85,085.00
Welfare Good Expenses	600,000.00	54,860.00
Drugs and Medicines Expenses	736,440.70	1,845,758.75
Medical, Dental and Laboratory Supplies Expenses	43,710.00	1,296,055.40
Fuel, Oil and Lubricant Expenses	5,410,888.57	3,394,481.74
Agricultural and Marine Supplies Expenses	49,215.00	
Chemical and Filtering Supplies Expenses	96,000.00	49,200.00
Other Supplies and Materials Expenses	2,294,928.52	979,304.50
Utility Expense		
Water Expenses	417,988.80	387,490.80
Electricity Expenses	5,092,105.22	4,605,280.95
Communication Expenses		
Postage and Courier Expenses	2,562.00	3,884.00
Telephone Expenses	974,113.79	1,156,550.18
Internet Subscription Expenses	261,091.85	316,637.13
Awards/ Rewards and Prizes		
Awards/ Rewards Expenses	10,000.00	
Survey, Research, Exploration and Development Expenses		
Survey Expenses		555.00
Demolition/Relocation and Desilting/Dredging Expenses		
Desilting and Dredging Expenses		143,676.21
Confidential, Intelligence and Extraordinary Expenses		
Confidential Expenses	800,000.00	800,000.00
Professional Services		
Legal Services	2,290.00	575.00
Other Professional Services	2,509,304.04	1,519,885.82
General Services		

Other General Services	24,420,960.55	23,549,857.76
Repairs and Maintenance		
Repairs and Maintenance-Infrastructure Assets	323,111.00	59,520.64
Repairs and Maintenance- Buildings and Other Structures	1,282,765.00	594,808.90
Repairs and Maintenance – Machinery and Equipment	182,862.00	118,705.09
Repairs and Maintenance-Transportation Equipment	1,587,004.12	1,522,399.84
Repairs and Maintenance-Furniture and Fixtures		3,365.00
Repairs and Maintenance-Other PPE	6,550.00	28,277.00
Taxes, Insurance Premium and Other Fees		
Taxes, Duties and Licenses	50,094.62	31,879.96
Fidelity Bond Premium	53,838.75	33,375.15
Insurance Expense	1,462,357.93	1,550,109.79
Other Maintenance and Operating Expenses		
Advertising Expenses	79,104.00	38,960.00
Printing and Publication Expenses	88,079.51	35,629.00
Representation Expenses	519,935.77	259,703.11
Rent Expense	86,640.00	54,820.00
Membership Dues and Contribution to Organization	72,100.00	22,050.00
Subscription Expense	7,500.00	
Donations	3,972,900.00	3,070,828.00
Other Maintenance and Operating Expenses	14,133,886.47	23,077,832.91
Total	₱ 78,728,892.05	₱ 74,256,125.41

Note 18 - Non-Cash Expenses

	2021	2020
Depreciation		
Depreciation-Building and Structures	₱ 6,291,748.87	₱ 6,580,101.58
Depreciation-Machinery and Eqpt.	3,910,849.11	3,904,912.04
Depreciation-Transportation Eqpt.	1,923,374.45	1,923,371.33
Depreciation-Furniture, Fixtures and Books	216,643.21	216,643.25
Depreciation-Other Property, Plant and Equipment	128,728.93	128,728.96
Total	₱ 12,471,344.57	₱ 12,753,757.16

Note 19 - Financial Expenses

	2021	2020
Interest Expense	₱ 1,246,187.14	₱ 1,797,152.32
Bank Charges	24,600.00	12,000.00
Other Financial Charges		90,235.00
Total	₱ 1,270,787.14	₱ 1,899,387.32

Note 20- Transfers, Assistance and Subsidy From

	2021	2020
Transfers From		
Transfers from GF of Unspent DRRMF	₱ 0.00	₱ (3,142,980.11)
Total	₱ 0.00	₱ (3,142,980.11)

Note 21- Transfers, Assistance and Subsidy To

	2021	2020
Financial Assistance/ Subsidy		
Subsidy to Other LGUs	₱ 69,760.00	₱ 392,126.65
Subsidies - Others	40,000.00	
Transfers of Unspent Current Year DRRM Funds to the Trust Funds	3,429.33	
Transfers for Project Equity Share/LGU Counterpart	5,673,360.66	
Total	₱ 5,786,549.99	₱ 392,126.65

Note 22 - Reconciliation of Net Cash Flows from Operating Activities to Surplus/(Deficit)

	2021	2020
Surplus/ (Deficit)	₱ 21,708,883.68	₱ 10,594,935.04
Depreciation	12,471,344.57	2,551,184.43
Amortization	3,225,853.66	
Increase in Payables	3,772,941.39	11,460,582.78
Increase in Current Assets	7,408,271.76	234,989.72
Increase in Receivables	(13,690,915.37)	11,796,335.47
Increase in Deferred Income		(204,074.41)
Prior Years Adjustments	515,801.69	935,969.44
Transfers from Other Funds		10,144,854.00
Net Cash from Operating Activities	₱ 35,412,181.38	₱ 47,514,776.47

Part II

DETAILED FINDINGS AND RECOMMENDATION

PART II - DETAILED FINDINGS AND RECOMMENDATIONS

During the year, we issued eleven (11) Audit Observation Memoranda (AOMs) of which one (1) was resolved. The following are the unresolved observations as of March 30, 2022, the date of the exit conference.

A. FINANCIAL AND COMPLIANCE AUDIT OF COVID 19 FUND RECEIPTS, ALLOCATION AND UTILIZATION.

For CY 2021, the municipality had a total allocation of ₱19,750,995.11 for COVID 19. This allocation is broken down by its specific sources as follows: from LDRRMF – ₱10,718,783.97, from 20% Development Fund – ₱1,676,630.06; and from other accounts source from the general fund – ₱5,770,581.08. The municipality also had a balance of ₱1,585,000.00 from the Bayanihan Grant which was sourced from the national government. In response to the COVID 19 pandemic, financial assistance to the constituents of the municipality as well as medical supplies and operating expenses were incurred. The Summary of COVID 19 Fund Sources and Utilization are presented in Annex F.

B. FINANCIAL AUDIT

- 1. Due to NGAs totaling ₱4,381,351.94 remained in the books for more than two (2) years, due to non-return of the fund to the source agency/non-implementation of the projects, thus, bloated the balance of the account of ₱32,815,485.58 as of December 31, 2021, rendering the same unreliable. Further, this renders the LGU non-compliant to the provision of COA Circular No. 94-013. (AOM No. 2022-01-(21), dated January 28, 2022)**

COA Circular 2020-04 dated January 20, 2021 described the account “Due to NGAs” as receipts of funds for delivery of goods/services authorized by law, fund transfer from NGAs for implementation of specific programs or projects and other inter agency transactions.

On the other hand, 6.7 of COA Circular No 94-013 dated December 13, 1994 prescribing the rules and regulations in the grant, utilization and liquidations of funds transferred to implementing agencies states “*the implementing agency shall return to the source agency any unused balance and refund of disallowance upon completion of the project.*”

Upon review of the year-end Financial Report, we noted that the Trust Liabilities – Due to Other NGAs account disclosed a substantial balance which are accumulation of receipts as well as grants from various National Government Agencies. As shown on the following table:

Agency/Grantor (a)	Date of Receipt of Grant/s (b)	Amount (c)	No. of years the grant was received and not liquidated			
			1 month to 1 yr (d)	1 yr to 2yrs (e)	2 to 5 yrs (f)	5 yrs above (g)
Fire Code Fee	2010	₱ 164,650.42				₱ 164,650.42
Anti-Mortem	9/30/2013	33,594.75				33,594.75
Commitment Fee	2009	9,593.63				9,593.63
Fish Port Collection	2000	3,771.00				3,771.00
Incentives as best Performer Against Illegal Drugs	2005	3,000.00				3,000.00
Other Income (TESDA)	2006	319.00				319.00
TESDA Accreditation Fee	2008	50.00				50.00
TESDA Certificate of Achievement	2009	3,558.50				3,558.50
TESDA sale of scrap iron	2008	3,743.50				3,743.50
CDF - Jala	2006	19,799.87				19,799.87
Honoraria	2004	7,920.00				7,920.00
Great Women Project	2009	20,099.83				20,099.83
Katas ng Lolo at Lola	2010	9,000.00				9,000.00
Calamay Making Project	2009	33,263.75				33,263.75
ECCD	12/20/11	161,798.64				161,798.64
Alternative Learning Program	8/1/2011	343,000.00				343,000.00
Common Service Facilities- Calamay (Cong Yap)	3/27/2013	39,840.92				39,840.92
Common Service Facilities DILG Region VII	5/31/2012	55,951.34				55,951.34
Sagana at Ligtas na Tubig sa Lahat Program	3/15/2013	13,286.66				13,286.66
PFPR Fees (RHU II)	2/20/2018	54,578.50				54,578.50
Prevents Package 1 st Tranch RHU I	10/20/2014	282,834.00				282,834.00
Prevents Package 1 st Tranch RHU II	10/20/2014	63,840.00				63,840.00
Repair/Rehab Tubod Monte Health Station	3/19/2015	40,354.09				40,354.09
Repair/Rehab Jagna Public Market	8/18/2015	232,330.68				232,330.68
Provision of Potable Water	5/28/2018	81,375.64			81,375.64	
Repair/Rehab Malbog Health Station	10/28/2015	46,850.98				46,850.98
TB dots RHU 1	4/5/2018	83,358.05			83,358.05	
FA-Post Harvest Facility- bub 2015	9/9/2016	263,351.00				263,351.00
Philcap for Jan-Dec 2015 (Q1-Q4) PRPF fees	11/30/2016	142,756.07				142,756.07
FA-Fish Port	1/11/2018	98,379.83			98,379.83	
DSWD Communal Garden	6/30/2017	100,485.00			100,485.00	
DSWD rice procurement	2/5/2018	492,101.05			492,101.05	
ATI-RTC 7 Agri doc	5/16/2018	4,704.20			4,704.20	
ATI-RTC 7 Proposal base	9/27/2018	11,750.00			11,750.00	
FA-National Government	9/30/2018	962,749.27			962,749.27	
Supplemental Feeding	7/18/2018	3,750.00			3,750.00	
DA fund transfer from	9/21/2018	139,313.50			139,313.50	

seedlings						
PCL-Region 7-LLA Award	12/19/2018	17,500.00			17,500.00	
Extension of LACEH Bldg.	2/1/2018	2,190.68			2,190.68	
RHU 1 Health Care Inst.	33/31/2019	86,300.00			86,300.00	
LGU Jagna CBRMP	6/17/2019	67,245.98			67,245.98	
HCI-RHU 1	10/31/2019	5,500.00			5,500.00	
FA-TB Dots	12/31/2019	35,715.00			35,715.00	
FA-Phil Cebu RHU	7/31/2019	85,800.00			85,800.00	
Completion RHU 2 (Mayana)	12/31/2019	49,991.26			49,991.26	
FA-BFP	12/27/2019	5.35			5.35	
Proceeds from Kasadya sa Bohol	3/18/2020	894.80		894.80		
FA-Public Market	5/31/2020	255,092.88		255,092.88		
FA-Rehabilitation of Fish port	12/31/2020	8,000,000.00		8,000,000.00		
FA-DILG, Waterworks (Brgy Odiong)	5/31/2021	4,334,000.00	4,334,000.00			
FA- Cut flower farmers in Mayana Horticulture-DOST	5/19/2021	413,500.00	413,500.00			
Swine Multiplier & techno demo farm project	7/16/2021	10,000,000.00	10,000,000.00			
FA-DILG, evacuation center	8/31/2021	251,845.96	251,845.96			
Kadiwa ni Ani at Kita (Food supply chain program)	9/30/2021	2,500,000.00	2,500,000.00			
LGU-counterpart INREMP Projects	9/30/2021	2,678,800.00	2,678,800.00			
Total		₱32,815,485.58	₱20,178,145.96	₱ 8,255,987.68	₱2,328,214.81	₱2,053,137.13
Total column (f) + (g)					₱4,381,351.94	

Going through the above list, funds which ranges from ₱5.35 to ₱10,000,000.00 can be sorted out as to receipts of funds for delivery of goods/services authorized by law and fund transfer from NGAs for implementation of specific programs or projects and other inter agency transactions or balances of funds with purpose that were already served/completed.

It was also noted that, these funds were not sorted out to be able to determine whether some funds were for implementation of projects which were a grant from other national agencies or merely funds received by the LGU that can be used instead for other purposes. This rendered the Due to NGAs account unreliable.

Moreover, 6.7 of COA Circular No 94-013 dated December 13, 1994 prescribing the rules and regulations in the grant, utilization and liquidations of funds transferred to implementing agencies states *“the implementing agency shall return to the source agency any unused balance and refund of disallowance upon completion of the project.”* Small amounts for completed projects maybe returned to source agency otherwise, the management may opt to request the source agency to use the funds for similar or other projects.

Management Comment

Majority of the financial assistance from National Agencies were already in their implementation stages. For those projects that were already completed and implemented but with remaining balances, the Municipal Accountant asserted that they will communicate with the respective source agencies to determine if balances will be returned, otherwise, management will request to use the funds for other programs of the LGU. Finally, the agency was very optimistic in saying that all of the projects funded from various National Government Agencies will be implemented to benefit its constituents.

Recommendation

We recommend the management to require the Municipal Accountant to sort out the various funds and use them for the furtherance of the improvement of the LGU and implement specific projects as stated therein of each fund received as well as use or return the funds in consonance with COA Circular 2020-04 dated January 20, 2021 and 6.7 of COA Circular No 94-013 dated December 13, 1994, whichever warrants.

- 2. Due from Local Government Units has a substantial outstanding/unliquidated amount of ₱13,500,000.00 as of December 31, 2021. Non-monitoring on the funds gives doubt to the accuracy of the affected account causing overstatement of the receivable account and understatement of its expenses by the same amount. (AOM No. 2022-02-(21), dated February 7, 2022)**

COA Circular 2015-009 dated December 1, 2015 defines “Due from Local Government Units (10303030)” Debit: This account is used to recognize amount of advances for purchase of goods/services as authorized by law, fund transfers to the Local Government Units (LGUs) for implementation of projects, share from LGUs income and other receivables.” “Credit: this account for receipt of goods/services, liquidation of fund transfers and receipt of share/payment for other receivables.”

Upon review of the year-end Trial Balance of the Local Government Unit, it was disclosed that the Account Receivable - Due from Local Government Units has a substantial balance of ₱13,500,000.00. Further review revealed that these funds were aid to barangays for the implementation of project that remained outstanding or unliquidated as of December 31, 2021. Please see lists below:

Barangays	Date Granted	Amount
Cabungaan	08/06/21	₱ 300,000.00
Bunga Ilaya	08/06/21	300,000.00
Can- Uba	08/10/21	300,000.00
Lonoy	08/12/21	300,000.00

Larapan	08/13/21	300,000.00
Bunga Mar	08/16/21	300,000.00
Faraon	08/16/21	300,000.00
Tejero	08/16/21	300,000.00
Pangdan	08/16/21	300,000.00
Nausok	08/16/21	300,000.00
Canjulao	08/19/21	300,000.00
Looc	08/19/21	300,000.00
Odiong	08/19/21	300,000.00
Laca	10/04/21	300,000.00
Balili	10/21/21	300,000.00
Cambugason	10/21/21	300,000.00
Boctol	11/11/21	300,000.00
Alejawan	11/12/21	300,000.00
Bunga mar	11/12/21	300,000.00
Bunga Ilaya	11/12/21	300,000.00
Buyog	11/12/21	300,000.00
Calabacita	11/12/21	300,000.00
Canjulao	11/12/21	300,000.00
Cantagay	11/12/21	300,000.00
Cantuyoc	11/12/21	300,000.00
Can Uba	11/12/21	300,000.00
Can Ipol	11/12/21	300,000.00
Can Upao	11/12/21	300,000.00
Faraon	11/12/21	300,000.00
Ipil	11/12/21	300,000.00
Kinagbaan	11/12/21	300,000.00
Larapan	11/12/21	300,000.00
Lonoy	11/12/21	300,000.00
Looc	11/12/21	300,000.00
Malbog	11/12/21	300,000.00
Mayana	11/12/21	300,000.00
Naatang	11/12/21	300,000.00
Nausok	11/12/21	300,000.00
Odiong	11/12/21	300,000.00
Pagina	11/12/21	300,000.00
Pagina	11/12/21	300,000.00
Poblacion	11/12/21	300,000.00
Tejero	11/12/21	300,000.00
Tubod Mar	11/12/21	300,000.00
Tubod Monte	11/12/21	300,000.00
Total		₱ 13,500,000.00

As noted, the transfer of funds occurred at the third and fourth quarter of the year. Thus, it can be considered that implementation of some of the projects might not be carried out immediately, especially those released in the 4th quarter. However, for those released in the 3rd quarter, the funds could have been utilized for its purpose, and have to be liquidated. Non-monitoring of its liquidation gives doubt to the accuracy of the presentation of the Accounts Receivable as well as the corresponding expense account of the financial statement of the Local Government Unit at year-end.

Management Comment

It was explained that during the 1st and 2nd quarter of CY 2021, there were already priority projects implemented by the agency, and the Internal Revenue (IRA) allotment was not released by the National Government – DBM in a one-time tranche so there was a need for the municipality to wait for the succeeding release of IRA to complete the funding requirements for the said project. Also, with the emergence of DBM Circular 125, the LGU was considering of using the budget as a buffer/standby fund for whatever unwanted development of the COVID-19 pandemic.

The management, however, ensured that the succeeding budget for financial assistance to the barangays will be released earlier in the year.

Recommendation

We recommend the management to direct its personnel overseeing the implementation of these projects to devise a plan for the immediate execution of these projects and submit liquidation as soon as possible, otherwise, the funds might be transferred earlier to give ample time to the barangays to implement the intended projects.

C. COMPLIANCE AUDIT

- 3. Only 45% or a total of ₱12,615,755.16 of the programs/projects/activities (PPA) of the 20% development fund under the CY 2021 approved budget of ₱ ₱26,096,563.60 and supplemental budget of ₱2,000,000.00 totaling ₱28,096,563.60 was utilized/implemented as at November 24, 2021 thus, the purpose/s to which the fund was established/created may be defeated and benefits due to the constituents not delivered as scheduled. (AOM No. 2021-01-(21), dated November 18, 2021)**

Section 287, RA 7160 provides in part that each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its annual Internal Revenue Allotment for developmental projects.

Further, Section 3 of *DILG-DBM Joint Memorandum Circular No. 2017-1* specifically cited the development projects under Social Development, Economic

Development and Environmental Management that will be funded from fund. The Circular placed the responsibility on the local chief executive to ensure that the 20% of the IRA is optimally utilized to help achieve desirable socio-economic development outcomes.

The CY 2021 approved annual and supplemental budget listed the Programs/Projects/Activities that are aligned under the 20% Development Fund. However, a review of the initial Accomplishment Report as at November 24, 2021 which was submitted to the Office of the Auditor (Annex G) disclosed that only 45% or a total of ₱12,615,755.16 was utilized /implemented. List of the 20% DF Programs/Projects and Activities and its obligations are shown as follows:

Programs/Projects/Activities		Appropriation	Utilization/ Implementation	Balance
<i>Approved Annual Budget -</i>				
Construction of Eco Park and equipment – loan amortization	₱	3,500,000.00	2,443,449.87	1,056,550.13
Purchase of Land for socialized housing projects.		2,000,000.00		2,000,000.00
Old –age advantage bonus		1,200,000.00		1,200,000.00
Construction of barbecue stand/deck/stalls near Jagna Port.		4,496,563.60		4,496,563.60
Covid related PPAs		1,000,000.00	272,305.29	727,694.71
Construction of Municipal Bridges (Quezon Bridge)		2,000,000.00		2,000,000.00
Construction of Multi-Purpose Hall (ABC Building)		1,500,000.00		1,500,000.00
Improvement		500,000.00		500,000.00
Barangay Economic and Social Infrastructure Projects		9,900,000.00	9,900,000.00	0.00
Sub-Total	₱	26,096,563.60	12,615,755.16	13,480,808.44
<i>Supplemental Budget -</i>				
Completion of TMIS Building	₱	200,000.00		200,000.00
Improvement/Rehab of Jagna Waterworks		1,000,000.00		1,000,000.00
Improvement/Rehab/Completion of Public Buildings (Other Existing Building)		500,000.00		500,000.00
Improvement of Drainage and Flood Control Culvert		300,000.00		300,000.00
Sub-Total	₱	2,000,000.00		2,000,000.00
Grand Total	₱	28,096,563.60	12,615,755.16	15,480,808.44
		100%	45%	55%

As can be gleaned, the programs/projects/activities funded were not optimally implemented. Considering the time left before the year ends is crucial to its timetable. The objective of improving the socio-economic condition of the local constituents which is the purpose of the creation of the funds might not be materialized. Moreover, prices of commodities might vary to a higher degree from when the details of the program were created, thus optimum result of the project might not be attained.

Management Comment

Due to the continuing effect of the COVID-19 pandemic, the LGU has carefully expended the budget of the 20% Development Fund, as it is provided in DBM Circular 125 that it can be realigned for any COVID-19 related expenses.

Below describes the status of some of the unimplemented projects under the 20% Development Fund:

- Acquisition of Socialized Housing - the project was delayed because of the suitability with the requirement from the National Housing Authority (NHA). In addition, negotiation with prospective owners became a problem. At the time of the exit conference, it was informed that a favorable land was already determined and hopefully negotiation will progress.
- Construction of Barbecue/deck/stalls near Jagna Port - currently in its procurement stage wherein a second bidding was scheduled on March 30, 2022.
- Construction of Municipal Bridges - balance for realignment for purchase of lot
- Construction of Multi-purpose Hall (ABC Building) - not yet implemented due to the lack of lot space.
- Improvement/Rehabilitation of Jagna Waterworks – reserved as counterpart for other incidental expenses of the Jagna Integrated Potable Water System Project

For the remaining projects, the LGU was already dealing with the preparation of the different Program of Works needed to cope up with its immediate implementation.

Recommendation

We recommend that the Local Chief Executive, in coordination with the Municipal Planning and Development Coordinator and other officers, work out the full utilization of the 20% Development Fund as programmed to be able to give to the public the benefits they can derive out of the programs/projects/activities aligned for the 20% Development Fund.

4. Expenses totaling P97,982.42 charged to Representation Expenses were deficient of supporting documents that cast doubts its validity, propriety and legality. (AOM No. 2022-03-(21), dated February 7, 2022)

Post audit of the disbursement vouchers for the first and third quarter of CY 2021 disclosed charges of Representation Expense that is lacking of documentary requirements. The claims consist of meals and snacks wherein only the receipts and attendance sheets were presented. This cast doubts as to the legality, propriety and validity of the expenses incurred in connection with the official function of the claimant.

Par. 7.0 of COA Circular 2012-001 dated June 14, 2012 prescribed the general guidelines in the charging of expenses against representation and discretionary funds as well as its documentary requirements.

Documentary requirements necessary to establish validity of this expense are the following:

- a) Invoices/receipts for GOCCs/GFIs and LGUs
- b) Receipts and/or other documents evidencing disbursement xxx ...
- c) Other supporting documents as are necessary depending on the nature of expense charged (Emphasis Supplied)**

COA Circular 2015-010 dated December 1, 2015 describe Representation Expenses (50299030) as the account used to recognize the expenses incurred for official meetings/conferences and other official functions. This account shall be closed to the Revenue/Income and Expense Summary account.

The following are the representation expenses:

Check No./Date	Particulars	Amounts
LBP29768/1/7/21	Payment of various meals and snacks	P13,763.00
LBP63285/1/29/21	Payment of various meals and snacks	13,527.50
LBP29767/1/7/21	Payment of various meals and snacks	9,886.50
LR101-21-07-10	Payment of various meals and snacks	25,347.00
LR101-21-03-20	Payment of various meals and snacks	35,458.42
Total		P 97,982.42

Meal expenses need to be supported with activity designs and budgetary requirements, or if such meals and snacks were consumed in line with official travel, then it will be chargeable to travelling expenses in the per diem in accordance with the EO No. 77 dated March 15, 2019.

Management Comment

In their management reply, it was highlighted that since the outbreak of COVID-19 pandemic in 2020, the LGUs ardent desire was always to mitigate its adverse effects to its constituents. Inevitably, there were representation expenses disbursed to meet with functionaries to discuss with matters, but it turned out that they were very beneficial to the agency since it yielded more financial aids, in-kind donations, etc. Nonetheless, it was discussed during the exit conference that management will stop their current practice and instead provide appropriate documentary requirements evidencing their claims.

Recommendation

We recommend the Municipal Accountant and the Municipal Budget Officer to thoroughly review the supporting documents of claims regarding meal and snacks incurred, whether these claims are chargeable against representation, otherwise it will be charged to travelling expenses in the per diem of the travelling official.

- 5. Advance payments made to contractors in the total amount of P934,421.18 were not supported with irrevocable standby letter of credit of equivalent value or surety bond callable upon demand pursuant to Item 4 of Annex E of the Revised Implementing Rules and Regulation of RA 9184, thus posing possible loss should the contractor remiss its obligations. (AOM No. 2022-09-(21), dated March 9, 2022)**

Annex E of the Revised Implementing Rules and Regulations of Republic Act No. 9184 otherwise known as the Government Reform Act specifically requires that:

4. *Advance Payment*

- 4.1 *The procuring entity shall, upon a written request of the contractor which shall be submitted as a contract document, made an advance payment to the contractor in an amount not exceeding fifteen percent (15%) of the total contract price, to be made in lump sum or, at the most, two installments according to a schedule specified in the Instruction to Bidders and other relevant Tender documents; and*
- 4.2 *The advance payment shall be made only upon the submission to and acceptance by the procuring entity of an irrevocable standby letter of credit of equivalent value from a commercial bank, a bank guarantee or a surety bond callable upon demand, issued by a surety or surety or insurance company duly licensed by the Insurance Commissioner and confirmed by the procuring entity.*

During CY 2021, contracts were entered into by the agency with various contractors for the implementation of projects. Some of which are the following:

Project	Contractor	Contract Amount	Mobilization Fee
Construction of Sedimentation Pond	3N Construction and Supply	₱3,951,437.96	₱592,715.69
Improvement of Jagna Public Market	Cevic Construction and Development Corporation	1,160,149.00	174,022.35
Renovation of Comfort Rooms of Jagna Market (Ground Floor)	Cevic Construction and Development Corporation	558,943.80	83,841.57
Renovation of Comfort Rooms of Jagna Market (Second Floor)	Cevic Construction and Development Corporation	558,943.80	83,841.57
Total		₱ 6,229,474.56	₱ 934,421.18

As presented above, an advance payment for mobilization expenses in the total amount of ₱934,421.18, or equivalent to 15% of the total contract cost was availed of by the contractor. Further verification however, disclosed that said claims were not supported with an irrevocable standby letter of credit issued from a commercial bank, a bank guarantee or a surety bond callable upon demand equivalent to the amount advanced, in violation of the aforementioned provisions of the Revised Implementing Rules and Regulations (IRR) of R. A. 9184, thus posing the risk of possible loss of funds should the contractor fail to fulfill its obligations.

Management Comment

The Bids and Awards Committee explained that they just missed to monitor this requirement after the process of bidding. Nevertheless, ensured that this issue will be incorporated in the orientation of prospective bidder/s during the pre-bid conferences. Moreover, this will be thoroughly reviewed by the Accounting Office and concerned end users to secure that request from winning bidders of advance payments will be properly supported with the necessary documents.

Recommendation

We recommend the management to discontinue granting advance payment on 15% mobilization cost on contracts entered into unless such requests are duly supported with an irrevocable standby letter of credit from a commercial bank, bank guarantee or a surety bond callable upon demand issued by a surety or an insurance company duly licensed by the Insurance Commission pursuant to Annex E of the Revised IIR of RA 9184.

6. Warranty security for the project: Market Ceiling Fans/Lightings/Paintings (Phase 1) with a contract amount of ₱1,123,132.50 was not enforced, contrary to Section 62.2.3.4 of the Revised IRR (R-IRR) of RA 9184, thereby, defeating the intent of the law and putting the LGU at a disadvantage in case of structural defects and failures thereto within the period covered by the warranty. (AOM No. 2022-10-(21), dated March 9, 2022)

Section 62.2.3.3 of the 2016 R-IRR of RA 9184 requires that for contractor to perform his responsibilities prescribed in Section 62.2.3.1(a) of the same R-IRR, warranty security is required to be posted at the following rates.

Section 62.2.3.3 provides the following forms and amounts of warranty security:

Form of Warranty	Amount of Warranty Security (Equal to Percentage of Total Contract Price)
a) Cash or Letter of Credit issued by a Universal or Commercial Bank: Provided, however, that the LC shall be confirmed or authenticated by a Universal or Commercial bank, if issued by a foreign bank.	Five Percent (5%)
b) Bank guarantee confirmed by a Universal or Commercial Bank	Ten Percent (10%)
c) Surety bond callable upon demand issued by GSIS or a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security	Thirty Percent (30%)

In our review of the disbursement pertaining to the project: Market Ceiling Fans/Lightings/Paintings (Phase 1) with contract amount of ₱1,123,132.50 undertaken by Civic Construction and Development Corporation, it was noted that the posting of warranty security by the contractor was not enforced by the agency.

Verification of the documents to support the release of retention money revealed that a bank guarantee was attached amounting to ₱112,313.25. Stipulations of the document provides that it would cover uncorrected discovered defects and third-party liabilities.

We direct you to GPPB Non-Policy Matters Nos. 033-2014, dated October 8, 2014 and 120-2017, dated December 29, 2017 which provides that retention money is intended to cover “uncorrected defects and third-party liabilities” prior to the issuance of the certificate of final acceptance while warranty security intends to cover “structural defects and failures” after the issuance of the procuring entity of the final acceptance and will be valid for a certain period, depending on the type of structure. Thus, the warranty security does not supersede the retention money, as the two serve different purposes.

The LGU's failure to enforce the posting of the warranty security defeats the intent of the law and puts the procuring entity at a disadvantage in case of structural defects and failures after its final acceptance.

Management Comment

The audit observation was discussed by the Municipal Accounting Office and Engineering Office and agreed to enlighten all future contractors and suppliers of this provision of the IRR of RA 9184. For succeeding transactions, if contractors/suppliers opt to claim their retention money after the final payment but before the one-year of final acceptance, the retention bond and warranty security will be required. Further, if the retention money is claimed after the one-year from date of completion, only the warranty security will be required.

Recommendation

We recommend that management strictly enforce the posting of warranty security by the contractor after the issuance of Certificate of Final Acceptance pursuant to the provisions of the IRR of RA 9184.

To ensure that the warranty security is posted, the LGU may make it as a requirement before returning the 10% retention money due the contractor one year after the completion of the project after which the warranty period shall commence.

- 7. Various deficiencies were noted in the accounting and reporting of Infrastructure Assets with values stated totaling ₱80,759,956.00, among others, contrary to pertinent provisions of COA Circular 2015-008, thereby affecting the fair presentation of the accounts in the financial statements.** (AOM No. 2022-07-(21), dated March 4, 2022)

COA Circular No. 2015-008 dated November 15, 2015 provides that "*Xxx. with the adoption of the Philippine Public Sector Accounting Standards (PPSAS), infrastructure assets which include road networks shall be taken up as Property, Plant and Equipment. The annual consumption of their service potential and loss of value through depreciation and impairment shall also be recognized.*"

The same Circular also enumerated pertinent accounting policies, reporting guidelines and duties and responsibilities relating to Local Road Assets, some of which are as follows:

Accounting Policies -

- *Public Infrastructures shall form part of and be recorded in the books as Property, Plant and Equipment.*

- *Public infrastructures include among others the road network system This may be composed of a) road lot, b) road pavement, c) drainage and slope protection structures and d) other miscellaneous structures.*
- *Each depreciable component of the road network **shall be depreciated** separately following the straight-line method of depreciation.*
- *No residual value shall be provided for the depreciable components of the road network system.*

Reporting Guidelines -

- *Conduct an inventory of the local roads under the LGU's jurisdiction*
- *The General Services Officer shall at the end of the accounting period render a **Report on Local Road Network** of the local government unit concerned*
- *The total road network system shall be disclosed in the Notes to the Financial Statements of the Agency.*
- *The Inventory Committee shall prepare **the Report on the Physical Count of the Road Network System** of the local government unit.*

Duties and Responsibilities -

- *Local Accountant shall prepare the Journal Voucher to record the beginning balance of the local road network and its components in the general ledger and the Local Road Network Ledger Card, respectively;*
- *General Services Officer shall maintain a Local Road Inventory and Road Map and Keep a complete Local Road Network Property Card for all roads and its components.*

Review of the Infrastructure Asset Account of the agency which includes Local Road Network revealed the following deficiencies in the accounting and reporting of road network system:

a. Non-provision of its corresponding depreciation

Depreciation was not provided, thus, overstating the PPE, income and equity at year-end. Infrastructure Assets not provided with depreciation are the following:

PPE		Net Book Value
Road Networks	₱	23,696,433.22
Flood Control Systems		3,024,747.32
Water Supply Systems		34,128,337.64
Parks, Plazas and Monuments		2,503,478.39
Other Infrastructure Assets		17,406,959.43
Total	₱	80,759,956.00

b. Non-preparation of the Report on Local Road Network and the Report on the Physical Count of the Road Network System

Review of the road network account disclosed that this was not supported with complete details, and the following reports were not prepared by the concerned officers in good form, to wit:

Report	Persons Responsible	Preparation
Report on Local Road Network (RLRN)	General Services Officer (GSO)	Yearly
Report on the Physical Count of the Local Road Network (RPCLRN)	Inventory Committee	Yearly

As emphasized in the above-mentioned Circular, the RPCLRN shall be submitted to the Auditor concerned and Accounting Division/Unit not later than January 31 of each year.

Per guidelines, the said Ledger Card shall be reconciled with the Property Card and the Report on the Physical Count of Local Road Network.

c. Non-disclosure in the Notes to the Financial Statements

As observed, infrastructure account was not provided with explanatory information or disclosure in the Notes to the Financial Statements.

The disclosure required include agency's total kilometers of roads and corresponding total cost; total amount spent for additions, major repairs and regular maintenance during the year; and total amount for reductions due to derecognition and impairment including reverse impairment.

d. Non-maintenance of the Local Road Network Ledger Card and Property Card

It was also observed that Local Road Network Ledger Card (LRNLC) and Local Road Network Property Card (LRNPC) for all roads and its components were not maintained by the Accounting Division/Unit and the GSO, respectively.

e. Other related deficiencies in relation to Property, Plant and Equipment (PPE)

Verification of the PPE schedule disclosed that Books amounting to ₱186,750.00 was not depreciated. Also, Agricultural and Forestry Equipment account of ₱55,229.31 had an accumulated depreciation but without a recorded acquisition value.

Due to the above-mentioned deficiencies, the accuracy of the recording of these asset accounts is doubtful and unreliable, thereby affected the fair presentation of the financial statements.

Management Comment

The Municipal Accountant asked the expert opinion of the Engineering Office regarding the appropriate useful life of each Public Infrastructure which, accordingly ranged from 20-50 years. This will facilitate the application of its depreciation charges. During CY 2022, adjustments were made to reflect the depreciation thru JEV No. 100-22-01-001.

Recommendation

We recommend the management to instruct the Municipal Accountant, GSO, Municipal Engineer and the Inventory Committee to strictly perform their duties and responsibilities in the accounting and reporting of Local Road Network as mandated under COA Circular No. 2015-008. Prepare appropriate adjusting journal entries to recognize depreciation of the Infrastructure Assets, Books as well as that of the Agricultural and Forestry Equipment accounts.

8. **Repairs and maintenance of motor vehicles totaling ₱113,410.00 were not supported with documents indicating the history of repair of each motor vehicle contrary to Section 9.1.3.4 of COA Circular No.2012-001, thus validity of the repair cannot be ascertained.** (AOM No. 2022-08-(21), dated March 7, 2022)

COA Circular No. 2012-001 dated June 14, 2012 prescribes the revised guidelines and documentary requirements for common government transactions. Section 9.1.3.4 thereof requires the submission of a copy of document indicating the history of repairs as attachments to contract on repairs and maintenance of equipment and motor vehicles.

Our post audit of disbursement transactions for CY 2021 disclosed that payment of repairs and maintenance for the following vehicles were made to Northway Tyre Centre under Disbursement Number 100-21-11-2979 and Check No. 81323, dated November 23, 2021 amounting to ₱113,410.00:

Name of Vehicle	Qty/Unit	Replacement Item		Amount
Dump Truck No. 2	2 pcs	Tire 9.00 R20 Myler	₱	25,990.00
	2pcs	Flup 9.00 R20		
	2pcs	Interior R20		
	4 pcs	Tire 9.00 R20 Lug		56,160.00
	4 pcs	Flup 9.00 R20		
	4pcs	Interior R20		
Dump Truck SWJ 657	2 pcs	Tire 8.2-20 Lug		22,970.00
	2pcs	Flup 8.2-20		
	2pcs	Interior 8.5-20		
Meo Suzuki Multicab SKG 842	1 pc	9 Plates Battery		5,855.00
Compactor	1 pc	Primary Clutch Assembly		2,090.00

	1pc	Brake Fluid		345.00
			Total	₱ 113,410.00

The repair transaction, however, was not supported with a document that shows the maintenance/repairs history records. This report is very important because it indicates the date, cost and nature (ie. change tire, rewiring, change oil, engine overhaul, cleaning/repair of aircon etc.) of each repair and maintenance done on a yearly basis. It also provides useful information in the determination of the appraised value of the equipment/vehicle listed in the Inventory and Inspection Report of Unserviceable Property (IIRUP) pending its disposal. It further gives information on the propriety and necessity of repair works undertaken on motor vehicles.

As provided in Annex D of COA Circular No. 2015-008, dated November 23, 2015, the maintenance/repairs history records serve as an extension to the property ledger records, thus, responsibility shall emanate from the accounting office.

Management Comment

It was discussed by the Municipal Accountant and Officer In-Charge from General Services Office, through a meeting, with all the drivers and staff that new forms will be used for the history of repairs and maintenance of all motor vehicles of the LGU starting in CY 2022.

Recommendation

We recommend the Accounting Office to reconstruct the maintenance/repair record of each vehicle owned and/or operated by the municipal government. Henceforth, require the repair history of motor vehicles before repair work is to be done and also before payment of repair expenses.

9. **Unused mandatory leave of five (5) days were not deducted from the earned leave of the municipal officials and employees which is not in consonance with Section 25 of the Omnibus Rules on Leave, Rule XVI of the Civil Service Memorandum Circular No. 42, thus, resulted in the misstated computation and overpayment of accumulated leave credits.** (AOM No. 2022-06-(21), dated March 4, 2022)

Section 25 of the Civil Service Memorandum Circular No. 41, s. of 1998 provides that all officials and employees with 10 days or more vacation leave credits shall be required to go on vacation leave whether continuous or intermittent for a minimum of five (5) working days annually under the following conditions:

- a. *The head of agency shall, upon prior consultation with the employees, prepare a staggered schedule of the mandatory five-day vacation leave of*

officials and employees, provided that he may, in the exigency of the service, cancel any previously scheduled leave.

- b. The mandatory annual five-day vacation leave shall be forfeited if not taken during the year. However, in cases where the scheduled leave has not been cancelled in the exigency of the service by the head of the agency, the scheduled leave not enjoyed shall no longer be deducted from the total accumulated vacation leave.*
- c. Xxx*
- d. Xxx*

Verification of the municipal employees leave card and summary upon payment of terminal leave benefits of employees who retired during CY 2021 and 2022 disclosed that the mandatory/forced leave deduction of five (5) days were not enforced, to wit:

Disbursement Voucher No.	Name of Official/ Employee	Years with Partial or No Deduction of Forced Leave	Terminal Leave Benefits Paid
100-21-03-751	Employee A	2005, 2009	₱ 228,474.14
100-21-10-2667	Employee B	2001	169,269.25
100-22-01-160	Employee C	1999, 2000, 2002, 2003, 2006, 2007	481,963.48
Total			₱ 879,706.87

Earned leave balances of various officials and employees were incorrect due to the non-deduction of the five days forced/mandatory leave. This resulted in the erroneous forwarding of leave balances, hence, not in consonance with Section 25 of the Omnibus Rules on Leave on the proper monitoring of leave credits which resulted to the overstatement of accumulated leave credits.

Management Comment

The new HRMO explained that she only assumed office last September 1, 2021. The terminal leave benefits of Employee A and B were processed by the former designated HRMO. On the other hand, with regards to the terminal leave benefits of Employee C, the deductions were directly reflected in the Employee's Statement of Earned Leave Credits instead of its individual Employee's Leave Card to avoid the tedious work of changing the running balance per card. Nonetheless, for the overpaid terminal leave benefits, a corrected computation was submitted to the Municipal Accountant for her perusal. Furthermore, the office is currently working on reflecting the adjustments of deficiencies in the leave cards of all LGU officials and employees and assured that they will follow the rules and regulations provided in the Omnibus Rules on Leave.

Recommendation

We recommend the Human Resource Management Officer to work back and deduct the five (5) days unused mandatory leave credits of all municipal officials and employees in order to arrive at correct accumulated balances.

We also recommend that demand of return for the overpaid terminal benefits be made to the payees and furnish copy of the Official Receipt for the refund of overpaid terminal benefits to the Audit Team. Otherwise, the overpaid amount be disallowed in audit.

D. GENDER AND DEVELOPMENT

10. The required five percent appropriation out of the LGU's total annual budget of ₱170,950,318.00 intended for the implementation of its Gender and Development Plan, was not met, thus, limited the provision for GAD activities and programs which could have been enjoyed and availed by the public.
(AOM No. 2022-04-(21, dated February 21, 2022)

Joint Memorandum Circular No. 2013-01 of the Philippine Commission on Women (PCW), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) provides:

C.3 Costing and Allocation of the GAD Budget –

- 1) At least five percent (5%) of the total LGU budget appropriations authorized under the Annual Budget shall correspond to activities supporting GAD PPAs. The GAD budget shall be drawn from the LGUs maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). The GAD budget shall not constitute an additional budget over the LGUs total budget appropriations.

The total annual budget of the LGU for CY 2021 was registered at ₱170,950,318.00, 5% of which is equal to ₱8,547,515.90 which should have been appropriated for the implementation of GAD-related programs, projects and activities. However, review of the GAD Plan and Budget disclosed that only ₱7,447,515.90 or only 4.36% of the total annual budget was appropriated, which was ₱1,100,000.00 short of the required budget.

It was learned that the appropriation for GAD was based on 5% of the total budget from General Fund only.

In order to effectively institutionalize the GAD Plan and implement its component programs, projects and activities as mandated under Executive Order No. 273, proper

planning and funding should be achieved, otherwise, the intended beneficiaries will be deprived of the benefits due from the GAD programs and activities.

Management Comment

The Municipal Gender and Development Committee (MGADC) of Jagna shared that they have been very active in terms of promoting and upholding the GAD mandate through their GAD plan. Since the creation of GAD, it has been the practice of the LGU to get the 5% budget from the total appropriation of the General Funds only. Moreover, it was explained that some gender programs, activities and projects (PAPs) were attributed to the budget through the Local Economic Enterprise. For the following years, management assured that the succeeding budgetary requirement of GAD will be compliant to Joint Memorandum Circular 2013-01 of PCW-DILG-DBM-NEDA for gender equality and equitability.

Auditor’s Rejoinder

If the agency intends to attribute a portion or the whole budget of PAPs to GAD during planning and budgeting phase, management have to perform gender analysis using existing tools, such as the Harmonized Gender and Development Guidelines (HGDG), to ensure that the different concerns of women and men are addressed equally and equitably in their PAPs.

Recommendation

We recommend that management require the GAD Focal Person to ensure the allocation of at least five percent of the total annual budget of the LGU in compliance with PCW-DILG-DBM-NEDA JMC 2013-01. Further, we also recommend the management to use applicable tools such as the HGDG for PAPs attributed to the GAD Budget to assure the proper determination of the amounts that may be attributed to the GAD budget.

E. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

	Beginning Balances (As of January 1, 2021)	This Period January 1, 2021 to December 31, 2021 (See B Below)		Ending Balance (As of December 31, 2021)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 1,714,350.19	₱ -0-	₱ -0-	₱ 1,714,350.19
Notice of Disallowance	₱ 1,415,118.50	462,720.00		₱ 1,877,838.50
Notice of Charge				
Total	₱ 3,129,468.69	₱ 462,720.00	₱ -0-	₱ 3,592,188.69

F. COMPLIANCE WITH TAX LAWS

The Local Government Unit has regularly complied with the requirement of the National Internal Revenue Code of the Philippines and Revenue Regulation No. 2-98, relative to the remittance of all taxes withheld on gross compensation income from the officials and employees for the current year and on taxes withheld from private entities regarding purchases and contracts for services.

G. STATUS OF GSIS PREMIUM DEDUCTIONS AND REMITTANCES TO REPUBLIC ACT 8291 (GSIS ACT OF 1997)

Pursuant to Section 6 of RA 8291, each employer shall remit directly to the GSIS the employees' and employers' contribution within the first ten days of the calendar month following the month to which the contribution applies. The remittance by the employer of the contributions to the GSIS shall take priority over and above payment of any and all obligations, except salaries and wages of each employee. Thus, remittances were done in accordance with prescribed period.

The mandatory deductions of premiums due to the Government Service Insurance System (GSIS) from salaries of LGU personnel was made during the current year 2021 and in prior years in compliance with Section 3.1.1 of the Rules and Regulations implementing Republic Act No. 8291.

The LGU have 100% remittances of its mandatory premiums as well as loans payments from its employees during the calendar year 2022.

H. ON FIESTA RELATED REVENUE AND EXPENSES

During the year, the municipality have not earned revenue, nor disbursed for fiesta related activities.

I. LOCAL COUNCIL FOR THE PROTECTION OF CHILDREN (LCPC)

Verification of reports from the LGU revealed that the municipality implemented programs funded out of the 1% IRA allocation for the Local Councils for the Protection of Children (LCPC).

Part III

STATUS OF IMPLEMENTATION OF PRIOR YEARS 'AUDIT RECOMMENDATIONS

PART III - STATUS OF IMPLEMENTATION BY THE AUDITEE OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the ten (10) audit recommendations embodied in Part II of the CY 2020 Annual Audit Report (AAR), all ten (10) were fully implemented.

On the other hand, Part III of CY 2020 AAR included six (6) audit recommendations of which two (2) were fully implemented, two (2) partially implemented and two (2) were not implemented during CY 2021.

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
Fully Implemented			
<p>1. Erroneous recording of ongoing infrastructure projects as completed projects and subjected these to depreciation, contrary to IPSAS 17, resulted to the overstatement of depreciation expense and understated the income for the year.</p> <p><i>We recommend that management instruct the Municipal Accountant to stop the practice of recording the partial payment of projects as direct debit to its asset accounts to avoid the subjecting of these assets to depreciation in accordance with Paragraph 59 to 78 of IPSAS 17.</i></p> <p><i>Henceforth, recompute the depreciation account and effect the necessary adjustment in the books of accounts of the LGU so as to reflect an accurate balance of the affected accounts in the financial statements.</i></p>	AAR 2020	<p>Journal Entry Voucher (JEV no. 2021-100-01-001) dated January 31, 2021 was submitted to COA showing the Adjustment of depreciation expenses for Building and Other Structures. The discrepancy was cleared through adjusting entries which was entered to our General Ledger as of January 2021. Thus, the effect of the adjusting entries of the understatement of CY 2020 income will be reverted & corrected in the first quarter of 2021.</p>	Verified General Ledgers and Financial Statements for CY 2021.
<p>2. Partial payment of various infrastructure projects totaling ₱16,575,940.55 were not recorded as Construction in Progress contrary to Item 27 of Philippine Public Sector</p>	AAR 2020	<p>Journal Entry Voucher (JEV no. 2021-100-01-002) dated January 31, 2021 respectfully submitted to COA showing the Adjustment of Construction in Progress for the ongoing projects and credit</p>	Verified General Ledgers and Financial Statements for CY 2021.

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p>Accounting Standards (PPSAS) and COA Circular 2015-009, thus overstating the asset and the corresponding government equity.</p> <p><i>We recommended that management require the Municipal Accountant to record the partial payment of infrastructure projects to the Construction in Progress account and to its appropriate asset account upon completion as required under COA Circular 2015-009.</i></p> <p><i>Also, record the advance payment to contractors as advances to contractors as required under the same circular.</i></p>		<p>to Assets Account. The discrepancy was cleared through adjusting entries which was entered to our General Ledger as of January 2021. Thus, the effect of the adjusting entries of the overstatement of assets of CY 2020 Financial Statements-Balance Sheet and Government Equity was reverted & corrected in the first quarter of 2021. The Accounting office also prepared Subsidiary Ledger for the Construction in Progress account to all ongoing projects of the LGU.</p>	
<p>3. Recoupment of advances to contractors and claims for 10 % retention fees amounting to ₱398,564.27 and ₱181,165.13, respectively, were not credited to its appropriate accounts contrary to COA Circular 2015-009 resulted to an understatement of the asset and government equity accounts.</p> <p><i>We recommend the Municipal Accountant to record the transaction to its appropriate account in accordance with COA Circular No. 2015-009 in order to reflect accurate balances of the accounts in the financial statements.</i></p>	AAR 2020	<p>Journal Entry Voucher (JEV no. 2021-100-01-003) dated January 31, 2021 showing the Adjustment of Advances to Contractors for payment of 15% mobilization for the ongoing projects and credit to Assets Account. The discrepancy will be cleared through adjusting entries which was entered to our General Ledger as of January 2021. Thus, the effect of the adjusting entries of the understatement of assets of CY 2020 Financial Statements-Financial Position and Government Equity will be reverted & corrected in the first quarter of 2021. The Accounting Office also prepared Subsidiary Ledger for the Advances to Contractors to all ongoing projects of the LGU.</p>	Verified General Ledgers and Financial Statements for CY 2021.
4. A Special Account in the	AAR	Respectfully submitted to COA	Verified

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p>General Fund (SAGF) for the Bayanihan Grant to Cities and Municipalities (BGCM) was not created as required under Section 3.7 of Local Budget Circular No. 125 and Section 141 of the Government Accounting Manual for LGUs Volume I, depriving the users of adequate information and causing difficulty in monitoring the funds.</p> <p><i>We recommend that management maintain a special account in the General Fund for the Bayanihan Grant to Cities and Municipalities. Also separate financial statements has to be prepared and presented as part of the General Fund as required under Section 3.7 of Local Budget Circular No. 125.</i></p>	2020	<p>the Financial Statements of Bayanihan Grant to Cities and Municipalities (BGCM) as of December 31, 2020. For CY 2021, a special account was created for BGCM and prepared the monthly Fund Utilization Report for the said account and submitted it to DBM and to COA Office until the said funds was fully utilized as required under section 3.7 of Local Budget Circular no. 125</p>	Reports submitted.
<p>5. Partial release of the development fund intended for Barangay Economic and Social Infrastructure Projects to the 33 barangays of the municipality rendered the partial and/or non-implementation of projects costing ₱5,400,000.00 intended to be funded from the 20% Development Fund contrary to Section 287, RA 7160 and DILG-DBM Joint Memo Circular No. 2017-1 defeating the objectives of its establishment.</p> <p><i>We recommend that management fast track the full implementation of the programmed projects and utilize the 20% Development Fund in accordance with the Department of Interior and</i></p>	AAR 2020	Financial Assistance from the 20% Development of CY 2020 were given to the 33 barangays.	Verified Financial Reports.

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p><i>Local Government – Department of Budget and Management Joint Memorandum Circular No. 2017-1 to fully achieve the objectives of the fund.</i></p>			
<p>6. Procurement of Drugs and Medicines amounting to ₱1,071,856.55 were not supported with complete documentary requirements contrary to COA Circular 2012-001 and Section 4(6) of PD 1445 casting doubt on the validity, legality and propriety of the transaction.</p> <p><i>We recommend management instruct the Bids and Award Committee(BAC) to see to it that the documentary requirements for drugs and medicines be included in the eligibility requirements of supplier/s. Henceforth, the Municipal Accountant has to see to it that disbursement vouchers are supported with the above mentioned documents as required under Section .1.3.1 of COA Circular No. 2012-001 well as the IRR of RA 11469 of related COVID19 medical supplies and see to it that all claims are supported with complete documentation to ensure that government funds are expended for valid, proper and legal purposes.</i></p>	AAR 2020	<p>Upon receipt of the AOM, the BAC and Secretariat reviewed all the documents related to the process in the purchased of Drugs and Medicines. In the course of our review we recognized that we were not able to require the submission of the following documents for it was not in the check list provided to us for reference and the COVID-19 Pandemic is the foremost consideration of the BAC in procuring the medicines:</p> <ul style="list-style-type: none"> * Certificate of product registration from Food and Drug Administration (FDA) * Certificate of good and manufacturing practice from FDA * Batch release from DFA * If the supplier is not the manufacturer that the supplier is an authorized distributor/dealer of the product items <p>With this AOM, it has reminded us to do our review of the eligibility requirements more diligently in our future BAC activities starting March of 2021. The said requirements were included in the Instruction to Bidders and during the discussion with the prospective bidder/s on the Pre-Bidding Conference.</p>	Verified Disbursement Transactions.
<p>7. Stale checks amounting to ₱102,233.06 remained unadjusted contrary to Section 112 of Presidential Decree No.</p>	AAR 2020	<p>Journal Entry Voucher (JEV no. 2021-100-01-004 & -005) dated January 31, 2021 showing the Adjustment of long Outstanding</p>	Verified General Ledgers and Financial Statements for

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p>1445 and Section 59 of the New Government Accounting and Auditing Manual rendering the correctness and accuracy of the recorded Cash in Bank doubtful.</p> <p><i>We recommend that management instruct the Municipal Accountant to effect the immediate cancellation/adjustment on the stale checks giving priority to long outstanding prior years issuance in order to reflect the correct balance of the asset account and the fair presentation of the financial statements at year end.</i></p> <p><i>Also, require the Municipal Accountant to prepare the Bank Reconciliation Statement/s and to regularly submit the same every month in the ensuing year.</i></p>		<p>Checks to Prior Year's Adjustments. The discrepancy will be cleared through adjusting entries which was entered to our General Ledger as of January 2021. Thus, the effect of the adjusting entries of the understatement of Cash Account of CY 2020 Financial Statements-Statement of Financial Position will be reverted & corrected in the first quarter of 2021.</p>	<p>CY 2021.</p>
<p>8. The Monthly Report on Fund Utilization and Status of Implementation of Programs, Projects, and Activities (PPAs) funded from Bayanihan Grant to Cities and Municipalities was not prepared contrary to Sections 4.2. 4.3 and 4.4 of Local Budget Circular No. 125 precluded the audit team from timely review, validation and evaluation of the financial accountability of management.</p> <p><i>We recommend that Management submit the Monthly Reports on Fund Utilization and Status of Implementation of PAPs as required under Sections 4.2 4.3 and 4.4 of Local Budget Circular No. 125 to facilitate</i></p>	<p>AAR 2020</p>	<p>Report of fund Utilization and Status of Program/Project/Activity Implementation of Bayanihan Grant to Cities and Municipalities (BGCN) as of December 31, 2020 was submitted to COA.</p>	<p>Financial Reports verified.</p>

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<i>the timely review and validation as well as monitoring of its implementation.</i>			
<p>9. Non-submission of the Report of the Physical Count of Property, Plant and Equipment (RCPPE) amounting to ₱185,883,197.97 (net of depreciation), Inventories amounting to ₱149,772.75 and Biological Assets in the total amount of ₱328,000.00 were not submitted to the Auditor in accordance with Section 124 of the Manual of the New Government Accounting System for Local Government Units (NGAS), thus, the correctness of the balances and its existence cannot be ascertained.</p> <p><i>We recommend the Local Chief Executive to direct the Inventory Committee to focus on the task of completing the report of physical count of its properties and submit the reports in its prescribed format as provided by Section 124 of the NGAS. Afterwards, if there are any adjustments, the Municipal Accountant immediately effect adjustments of the discrepancies, between the actual and recorded balances of the affected Property, Plant and Equipment accounts based on the results of the actual physical count.</i></p> <p><i>Also, require the Municipal Treasurer to prepare and maintain Property, Plant and Equipment card.</i></p>	AAR 2020	<p>The Municipal Accounting Office (MAO) in coordination with the General Services Office (GSO) and Internal Audit Service (IAS) conducted physical inventory of the Machineries, Furnitures, Equipment and other LGU-owned properties in the different departments/offices. Best efforts were exerted to submit the RCPPE on time but the deadline was not met since we were still ascertaining the correctness and accuracy of the PPE balances like in case of the Land account, most of the LGU's parcel of land are still in the titling process. After the exit conference the Local Chief Executive Hon. Joseph A. Rañola, created a committee to further investigate the correctness of the Inventory reports.</p>	Report of Physical Count of PPE as of December 31, 2021 was submitted to the COA Audit Team.
10. Appropriation for the 20%	AAR	The Management commented	Unutilized

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p>Developmental Fund totaling P43,343,892.82 was not fully utilized during the year leaving a total unutilized appropriation of P29,919,729.27 as of December 31, 2019, thereby delaying the delivery of socio-economic and environmental development benefits to the constituents.</p> <p><i>We recommend that the management comply with the provisions of Section 287 of the Local Government Code of 1991 and the related DILG-DBM Joint Memorandum Circular No. 2017-1 on the prompt and full utilization of the 20% Development Fund for the implementation of priority development projects in order to optimally attain the socio-economic and environmental development of the municipality.</i></p> <p><i>Henceforth, utilize all balances of the 20% Development Fund continuing appropriations for the implementation of development projects in order to attain the intended purpose for which the fund was appropriated.</i></p>	2020	that there were reprogrammed projects/activities under 20% as agreed by the MDC and to be implemented in the ensuing year.	programs were either implemented or realigned during CY 2021.
<p>11. Property Cards for each type of properties were not maintained by the Municipal Treasurer/Property Officer contrary to Section 45 of the New Government Accounting System (NGAS) Manual for LGUs Volume II, validity and existence of Property, Plant and Equipment amounting to P132, 817,072.17 as of December 31, 2019 could not be ascertained.</p>	AAR 2019	The Municipal Treasurer commented that he has kept property ledger card in a soft copy and that he can update and print it if needed.	Verified copies of Ledger Cards.

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p><i>We recommend that management require the General Service Officer/Municipal Treasurer to maintain Property Cards for all properties of the LGU as required under Section 45 of the NGAS Manual for LGUs Volume II. Henceforth, require inventory committee/team to prepare the corresponding Report on the Physical Count of Property, Plant and Equipment and submit the same to the auditor as well as the reconciliation of records maintained by the office of the Municipal Accountant and effect the necessary adjustment when appropriate.</i></p>			
<p>12. Report of the Physical Count of Property Plant and Equipment amounting to P132, 817,072.17 (net of depreciation), Inventories amounting to P361, 174.77 and Biological Assets amounting to P970,000.00 was not submitted to the Auditor in accordance with Section 124 of the Manual of the New Government Accounting System for Local Government Units (NGAS), thus, the correctness of the balances and its existence cannot be ascertained.</p> <p><i>We recommend the Local Chief Executive to direct the Inventory Committee to focus on the task of completing the report of physical count of its properties and submit the reports in its prescribed format as provided by section 124 of the NGAS. Afterwards, if there</i></p>	AAR 2019	Inventory Reports for Property, Plant and Equipment, Breeding Stock was submitted to COA Office. A Request for Inspection of Unserviceable/Obsolete/Unfound LGU Properties was also sent.	Report of Physical Count of PPE and other reports as of December 31, 2021 were submitted to the COA Audit Team.

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p><i>are any adjustments, the Municipal Accountant immediately effect adjustments of the discrepancies, between the actual and recorded balances of the affected Property, Plant and Equipment accounts based on the results of the actual physical count.</i></p> <p><i>Also, require the Municipal Treasurer to prepare and maintain Property, Plant and Equipment card.</i></p>			
<p>Partially Implemented</p>			
<p>1. Unserviceable/Obsolete/Unfound properties amounting to ₱13,565,584.59 were still recorded in the Property, Plant and Equipment (PPE) account because disposal and derecognition of such properties has not been undertaken contrary to Section 79 of Presidential Decree (PD) 1445 and International Public Sector Accounting Standards (IPSAS) 17 thus exposing it to further deterioration and losses and overstating the Property, Plant & Equipment (PPE).</p> <p><i>We recommend that management direct the Property Officer together with the Disposal Committee to process the documents/forms for disposal of unserviceable properties and submit to the COA Auditor pursuant to the Handbook on Property and Supply Management System, and Section 79 of PD No. 1445.</i></p> <p><i>Further, we recommend that the Municipal Accountant, upon disposal, drop the cost of the</i></p>	<p>AAR 2020 2019</p>	<p>There was inevitable delay in the preparation of the IIRUP because the department/unit heads really wanted to ascertain before signing the report, which of the properties reflected in the GSO records still exist and which are unfound. Derecognition was not yet effected since the IIRUP has to be completely done before the LGU may request COA to inspect the unserviceable/obsolete properties. Eventually, only by then the unserviceable properties may be finally disposed and necessary adjustments be made in the PPE balances. After the exit conference the Local Chief Executive Hon. Joseph A. Rañola, created a committee to further investigate the correctness of the Inventory reports, especially the Inventories declared under unfound items.</p>	<p>Corresponding IIRUP as of December 31, 2021 was submitted to the COA Audit Team. A Request for Inspection was already forwarded to the Technical Audit Services.</p>

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p><i>unserviceable/obsolete/unfound PPE from the books to reflect the accurate value of PPE in the financial statements.</i></p>			
<p>2. An integrated solid waste management facility or Jagna Eco Park in compliance to solid waste management plans and programs enumerated under the Revised Jagna Solid Waste Management Act of 2000, thus the desired result to protect the environment and the general welfare of the constituents has not fully achieved.</p> <p><i>We recommend the management to exert effort to expedite the establishment and completion of the Integrated Solid Waste Management Facility or give priority to its implementation and involve closely the Barangay officials in the strict implementation of the existing environmental laws on preserving and protecting the environment as mandated under RA No. 9003.</i></p>	AAR 2019	<p>This is in connection with the establishment of the Recycling Building at the proposed Jagna Integrated Eco Center Facility in Tubod Mar, Jagna, Bohol. The project construction started last February 15, 2021 with a duration of 180 calendar days. After the issuance of the Notice to Proceed (NTP) to CEVIC Construction and Development Corporation, the implementation got so smooth until in the month of March when a ground breaking of another project was conducted. An heir of the procured lot by the LGU for the access road wanted to close the area of their land because she claimed that she was not aware of the negotiation for the procurement of the lot and that she would also be filing a complaint to the barangay. The construction was suspended on April until September 2021. On November, the RTC Branch 7 in Loay dismissed the case against the municipality which paved way to the issuance of a new ECC for Jagna Integrated Eco Center Facility. Construction resumed but was again halted on December 16, 2021 due to the Super Typhoon Odette that ravaged the whole province of Bohol. Nonetheless, it was recorded that the project was presently at its 65% accomplishment.</p>	<p>Verified Financial Reports submitted to the COA Audit Team.</p>
Not Implemented			

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<p>1. Lots owned by the Municipality totaling P9,167,332.20 have no Torrens Title in violation of Section 148 of COA Circular 92-386 dated October 20, 1992 exposing doubtful validity of its ownership and risk of a third-party claims. Moreover, dates of lot acquisition are not indicated in the records of the accounting and lot areas defer from that on the tax declaration.</p> <p><i>We recommend that the Municipal Mayor direct the Municipal Assessor to immediately process the titling of the lots in the name of the Municipality. The task of processing the required documents have to be given priority. Corrections have to be immediately effected with regards to dates of acquisition and lot areas in the accounting and municipal treasurer's records.</i></p>	AAR 2018	<p>The Assessor's Office headed by Ms. Diosdada E. Ranises started processing the LGU Land titling since CY 2020. As of now, we have a new development from DENR regarding the processing of the said title.</p> <p>Out of the Ten (10) lots, nine (9) were still on the process while the other one cannot quality because there was no improvement found on the lot itself.</p>	Verified Financial Reports submitted to the COA Audit Team.
<p>2. Accounts "Due from NGAs and Other Receivables" showed a year-end balance of P831,893.24 and P292,219.72 respectively represents dormant receivables over a period of 20 years and above causing doubt as to its existence and collectability contrary to COA Circular 2016-005.</p> <p><i>We recommend that the Municipal Accountant identify the composition of these accounts and validate its existence and collectability. Effect appropriate measures in accordance with COA Circular No. 2016-005 and consequently prevent the overstatement of the</i></p>	AAR 2018	The Municipal Accountant commented that the Due from NGAs and Other Receivable were inherited accounts. They are on the process of collecting all data and documents for the write off based on the COA Circular No. 2016-005 dated December 19, 2016	Verified General Ledgers and Financial Statements for CY 2021.

AUDIT OBSERVATIONS AND RECOMMENDATIONS	AAR REF	ACTION TAKEN BY MANAGEMENT	AUDITOR'S VALIDATION OF RESULTS
<i>Receivable account in the year-end Financial Statements.</i>			

Prepared by:



FIEL HAROLD S. ESO

State Auditor II
 OIC-Audit Team Leader

Part IV

ANNEXES

PART IV - ANNEXES

- I - Comparative Financial Statements by Fund
 - A Statement of Financial Position as at December 31, 2021 (With Comparative Figures for CY 2020)
 - A-1 General Fund
 - A-2 Special Education Fund
 - A-3 Trust Fund
 - B Statement of Financial Performance for the Year Ended December 31, 2021 (With Comparative Figures for CY 2020)
 - B-1 General Fund
 - B-2 Special Education Fund
 - C Statement of Cash Flows for the Year Ended December 31, 2021 (With Comparative Figures for CY 2020)
 - C-1 General Fund
 - C-2 Special Education Fund
 - C-3 Trust Fund
 - D Statement of Changes in Net Assets/Equity
 - D-1 General Fund
 - D-2 Special Education Fund
- II E Summary of Comparison of Budget and Actual Amounts (SCBAA)
 - E-1 SCBAA - General Fund
 - E-2 SCBAA – Special Education Fund
- III F COVID-19 Fund Receipt, Allocation and Utilization
- IV G 20% Development Accomplishment Report