

## EXECUTIVE SUMMARY

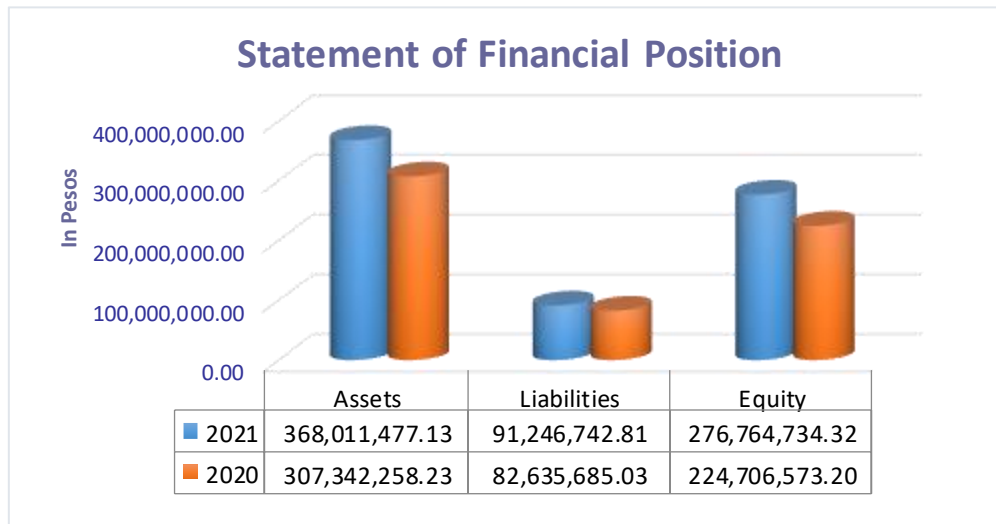
The Municipality derives its mandates from Republic Act No. 7160, known as the Local Government Code of 1991. The Code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents. 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:

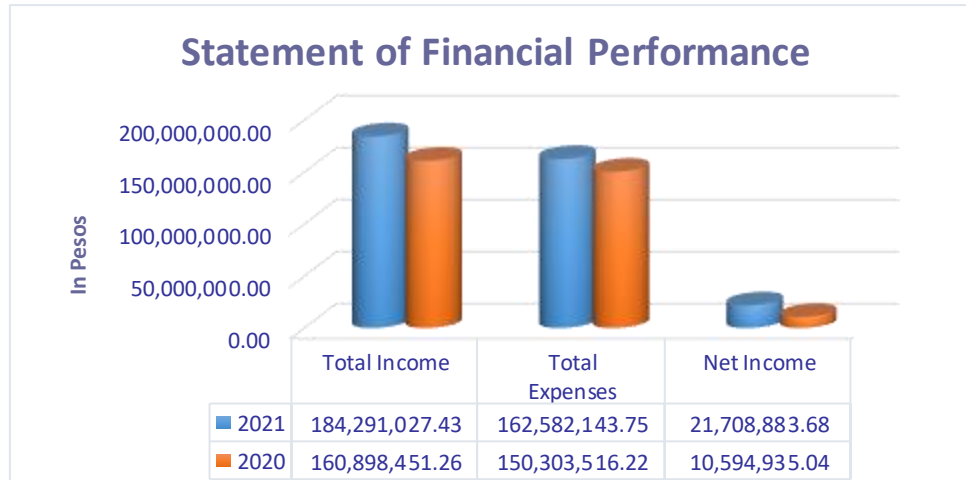
<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	12
Permanent Positions	71
Casuals/Job-orders	323

## FINANCIAL HIGHLIGHTS

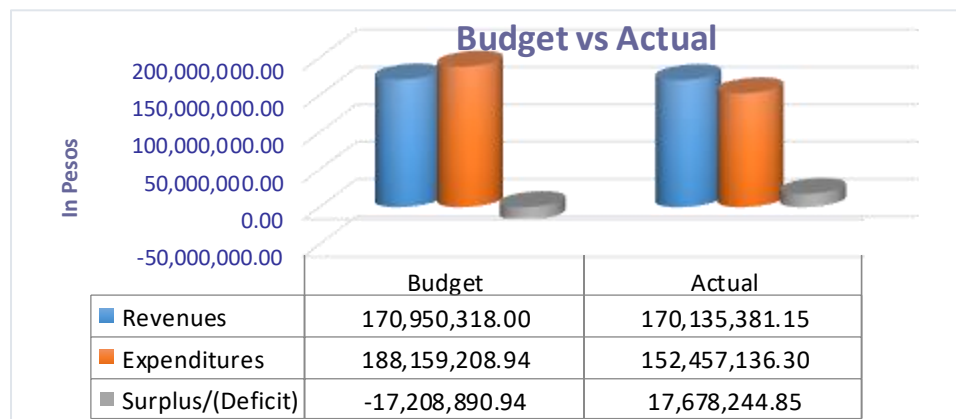
During Calendar Year 2021, the Statement of Financial Position of the municipality showed an increase in assets, liabilities and equity from that of CY 2020 and is graphically presented as follows:



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				
<b>Total</b>	₱ 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.