

Common and Significant Audit Observations and Recommendations on Barangays and SKs



April 16, 2026

OUTLINE OF DISCUSSION

AUDIT THRUST AREAS

BARANGAYS

- Cash and Cash Equivalents
- Outstanding Cash Advances
- Property, Plant and Equipment (PPE)
- Payables
- Casual, Job Order and Contractual workers
- Compliance with Tax Laws



OUTLINE OF DISCUSSION

AUDIT THRUST AREAS

BARANGAYS

- ❑ NTF-ELCAC
- ❑ 20% Development Fund
- ❑ Local Disaster Risk Reduction Management Fund (LDRRMF)
- ❑ Gender and Development (GAD)
- ❑ SK Fund Transfer
- ❑ Unsubmitted Disbursement Vouchers (DVs)



OUTLINE OF DISCUSSION

AUDIT THRUST AREAS

BARANGAYS

- Financial Reports
- Others

Sangguniang Kabataan (SK)

- Non-compliance with separate accounts



OUTLINE OF DISCUSSION

AUDIT THRUST AREAS

SKs with Separate Accounts

- Non-submission Disbursement Vouchers (DVs) and other reports
- Non-Compliance with Documentary Requirements



BARANGAYS

CASH AND CASH EQUIVALENTS



Audit Observations

Delayed deposit of collections

Cash and Cash Equivalents



Audit Observations

Collections of the Barangay were not deposited in accordance with the prescribed frequency and condition, as there were noted delays in making the deposits contrary to Item 4.1.12 of the Manual on the Financial Management of Barangays (MFMB). Thus, exposed the funds of the Barangay to possible loss through misuse, robbery, theft and even forces of nature.



Audit Recommendations

We recommended that the Punong Barangay:

- a. direct the Barangay Treasurer to deposit her collections in accordance with the frequency prescribed under the said regulation as a safeguard against loss/misuse of the same; and



Audit Recommendations (continued)

- b. exercise closer supervision and monitor the activities of the Barangay Treasurer and see to it that all Barangay collections are promptly recorded, reported and deposited in accordance with pertinent government laws and regulations to safeguard government resources and ensure that no disbursements are made directly from collections.



Audit Observations

Unreliable cash balances due to non-maintenance of cash records and failure to prepare bank reconciliations hinder accurate financial reporting.



Audit Observations

The reliability of the ending balances of the Cash in Bank – Local Currency, Current Account of the Barangay amounting to Pxxx and Pxxx for CYs 2022 and 2023, respectively, could not be ascertained due to the non-maintenance of Journal of Cash Transactions and the non-submission of monthly Bank Reconciliation Statements to the Office of the Auditor, contrary to pertinent provisions of the MFMB.



Audit Recommendations

We recommended that the Punong Barangay direct the Barangay Treasurer to coordinate with the concerned Municipal Accounting personnel to:

- a. maintain the Journal of Cash Transactions and record all cash transactions of the Barangay therein; and



Audit Recommendations (continued)

- b. prepare and submit the Monthly Bank Reconciliation Statements to the Audit Team on or before the 20th of the following month.



Audit Observations

Cash deficit at year-end due to weak cash management and control



Audit Observations

The Barangay has a cash deficit of Pxx at year-end 2023, due to improper handling and control over cash, contrary to Section 337 of Republic Act (RA) No. 7160, thus affecting the payment of current liabilities, remittances of inter-agency payables and cash back up for trust liabilities.



Audit Recommendations

We recommended that the Punong Barangay:

- a. take appropriate action to address the noted cash deficit, through proper cash management, whereby by ensuring the availability of cash for all its obligations, otherwise, actions shall be taken against those responsible for the incurrence of the same; and



Audit Recommendations (continued)

- b. formulate and install controls over cash, through strict monitoring of cash balances and maintenance of SAOB and REAL, where actual flow of receipt of income and expenses, including disbursements are updated, which shall guide the concerned barangay officials of whether cash are still available to settle certain obligation, so as to prevent incurrence of cash deficit.



Audit Recommendations (continued)

Henceforth, strictly observe the provisions of Sections 337 of RA No. 7160 to ensure that cash on hand is always available to finance its current operation, including its obligations.



Audit Observations

Weak management and custody of cash and accountable forms indicate deficiencies in internal control



Audit Observations

Proper management and custody of cash and accountable forms was not observed, contrary to the Specific Policies of the MFMB, thus indicating a weakness of internal control.



Audit Recommendations

We recommended that the Punong Barangay to:

- a. exercise extra care and due diligence in filling out the official receipts, and reporting the collections and deposits to avoid/minimize occurrence of errors leading to over deposit and/or negative balances in her cash balances;



Audit Recommendations (continued)

- b. discontinue the practice of using ballpen to provide details in the duplicate and triplicate copies of the official receipts;
- c. strictly issue the official receipts in chronological order and stop the practice of allowing other Barangay Official and/or employees in exercising collecting functions; and



Audit Recommendations (continued)

- d. ensure that all official receipts issued are properly signed by the Barangay Treasurer, as the collecting officer.



Audit Observations

Improper recording and lack of reconciliation of cash transactions resulted in discrepancies and hindered determination of cash accountability



Audit Observations

Barangay transactions were not properly recorded in the cashbook and the Barangay Treasurer was not able to reconcile his records with the General Ledger of the Municipal Accountant, contrary to Chapter XII, Item 12.1.3 (d) of MFMB.



Audit Observations (continued)

Thus, the cash accountability of the Barangay Treasurer at any given time could not be easily determined and resulted to discrepancies of the balances of the cash accounts and cashbook.



Audit Recommendations

We recommended that the Punong Barangay to:

- a. properly record the transactions in the cashbook;
- b. completely fill up all the columns indicated in the cashbook;
- c. Update regularly and reconcile his cashbook with the records of the City/Municipal Accountant; and



Audit Recommendations (continued)

- d. coordinate with the Accountant to make the necessary adjustments in the book of the Barangay on the noted difference and furnish the Audit Team with a copy of the adjustment made for validation.



OUTSTANDING CASH ADVANCES



Audit Observations

Cash advances remain unliquidated/unreturned for CYs 2021 and prior years, contrary to the Commission on Audit (COA) Circular Nos. 97-002 and 2009-02 and Item 5.1.11, Chapter V of the Manual on the Financial Management of Barangays (MFMB), thus, exposed the barangay funds to possible misappropriation and/or use.



Audit Recommendations

We recommended that the Punong Barangays:

- a. cause/demand the immediate proper liquidation of the cash advances and consider using legal remedies should accountable officers fail to liquidate their cash advances or refuse to do so. Their separation from the service for whatever cause does not discharge them from their accountabilities.



Audit Recommendations (continued)

Otherwise, hold accountable, the officials who signed their clearances, for the payment of the unliquidated cash advances; and henceforth,

- b. ensure strict compliance with the provisions of COA Circular No. 97-002 and 2009-02 and Item 5.1.11, Chapter V of the MFMB.



Audit Observations

Cash Advances in the total amount of P1,505,861.00 were granted to the Punong Barangay, contrary to Section 339 of Republic Act No. 7160 and Item 4.1.4 of COA Circular No. 97-002 dated February 10, 1997.



Audit Recommendations

We recommended that the grant of cash advance to elected officers other than their traveling expenses be stopped as prescribed under Section 339 of RA No. 7160 and Item 4.1.4 of COA Circular No. 97-002.



Audit Observations

Payments for the compensation of the elected and appointed barangay officials for Calendar Years 2019, 2020 and 2021, respectively, were withdrawn in advance or even before it is due contrary to Section 52 of Republic Act (RA) No. 7160, hence may result to payment of claims despite the non-rendition of services by the claimants.



Audit Recommendations

We recommended that the Punong Barangay instruct the Barangay Treasurer to refrain from withdrawing cash advances for honoraria in advance and to prepare the payrolls only upon the completion of the 2nd Regular Session of the Sangguniang Barangay and when the expected duties of all the appointed barangay officials for the month had been substantially performed.



PROPERTY, PLANT AND EQUIPMENT



Audit Observations

The submitted Report on Inventory of Property and Equipment (RIPE) was not reconciled with the records maintained by the Accounting Office, contrary to Items 7.1.19 and 7.2.5 of the Manual on the Financial Management of Barangays (MFMB), thus casting doubt on the accuracy and validity of the balances of the PPE accounts.



Audit Recommendations

We recommended that the Punong Barangay, as the head of the Inventory Committee, and the Barangay Treasurer properly provide the necessary details in the RIPE.



Audit Recommendations (continued)

We also recommended that the Punong Barangay instruct the Barangay Treasurer to verify the records of the Accounting Office for the reconciliation of those property items in the inventory report and to investigate the noted discrepancies to fully identify the errors/deficiencies that contributed to the noted variance, and make necessary adjustments, if warranted.



Audit Observations

PPE accounts as of December 31, 2019/2020/2021 were not provided with depreciation, contrary to Items 7.1.21 and 7.1.22 of the MFMB, thus Depreciation Expense and Accumulated Depreciation Expense accounts were understated by undetermined amount.



Audit Recommendations

We recommended that the Punong Barangay request the Municipal/City Accountant to provide depreciation for all depreciable assets of the Barangay in accordance with the provisions of MFMB.



Audit Observations

The Barangay was not able to conduct the complete physical count of PPE owned by the Barangay and the Report on Inventory of Property and Equipment (RIPE) as of December 31, 2019/2020/2021 was not prepared, contrary to Item 7.2.5 of the MFMB, thus the existence and valuation of the PPE accounts cannot be ascertained.



Audit Recommendations

We recommended that the Punong Barangay instruct the Inventory Committee to conduct complete physical count of PPE owned by the Barangay, to prepare its corresponding RIPE and to submit the same to the Accounting Office and Audit Team for reconciliation and verification, respectively.



Audit Observations

The parcels of land where the Barangay buildings and other structures are situated were not registered under the Torrens Title System in favor of the Barangay, contrary to Section 148 of COA Circular No. 92-386, thus exposing the same to third-party claims and land disputes.



Audit Recommendations

We recommended that the Punong Barangay:

- a. secure a notarized Deed of Donation or Deed of Sale from the respective lot owner/s and consequently register the parcel/s of land in the Torrens Title System in favor of the Barangay; and



Audit Recommendations (continued)

We recommended that the Punong Barangay:

- b. ensure that all subsequent acquisitions of land are registered in the Torrens Title System.



Audit Observations

The disposal of unserviceable PPE of the Barangay was not performed by the Barangay, contrary to Paragraph 82 of the International Public Sector Accounting Standards (IPSAS) 17, thus depriving the Barangay of additional income that may be derived from the sale or disposal of the unserviceable properties.



Audit Recommendations

We recommended that the Punong Barangay:

- a. create a Disposal Committee that will undertake the immediate disposal of the unserviceable properties; and
- b. ensure that all obsolete and unserviceable properties of the Barangay are immediately disposed of.



Audit Observations

The existence of the reported PPE as of December 31, 2021 was not established contrary to International Public Sector Accounting Standards (IPSAS) 1, hence, affecting the presentation of the accounts in the financial statements.



Audit Recommendations

We recommended that the Punong Barangay:

- a. instruct the Barangay Treasurer and Inventory Committee to locate all of the PPEs of the barangays and adopt the procedural guidelines on the disposition for the non-existing/missing PPE in accordance with the existing rules and regulations; and



Audit Recommendations (continued)

- b. require the Barangay Treasurer to coordinate with the Office of the City Accountant the proper disclosure in the Notes to the Financial Statements the status of properties of the barangay.



Audit Observations

The correctness, reliability, existence and completeness of PPE accounts, as of December 31, 2020 could not be ascertained due non-submission of RIPE, likewise, non-preparation and non-maintenance of Property/Equipment Cards (PECs) and Property Acknowledgment Receipts (PARs) which resulted to discrepancies.



Audit Recommendations

We recommended that the Barangay Treasurer ensure that the required PEC and PAR for each PPE are properly prepared, maintained and updated.



Audit Observations

Motor vehicle acquired in CY 2020 was not covered by Certificate of Registration and Official Receipt from the Land Transportation Office (LTO) thereby casting doubt on the validity of the claim of ownership of the Barangay over the said motor vehicle.



Audit Observations (continued)

Likewise, the said procurement was not supported with Sales Invoice, thus the existence, integrity and validity of the procurement could not be fully established.



Audit Recommendations

We recommended that the Punong Barangay:

- a. immediately submit to the Audit Team the original Sales Invoice from the Supplier, the Certificate of Registration and Official Receipt from the LTO, and other documents so that ownership of the motor vehicle could be established; and



Audit Recommendations (continued)

- b. provide supporting documents to validate the mode of procurement for this transaction to enable the Team to evaluate the integrity and validity of the procurement process, otherwise the said amount will be suspended in audit.



Audit Observations

Disbursements for major repairs of various PPE were recorded under Repairs and Maintenance expense in CYs 2019 to CY 2021 instead of recognizing the same as assets by debiting their cost to the appropriate PPE accounts.



Audit Recommendations

We recommended that the Barangay Treasurer immediately submit to the Audit Team the relevant documents pertaining to the transportation equipment subject of the repair expense in CY 2021 to facilitate the proper evaluation and verification of its ownership; and



Audit Recommendations (continued)

Coordinate with the City Accounting Office the proper recognition of the fire truck in the books of accounts of the Barangay.



Audit Observations

The Financial Statements (FS) and the Notes to FS of the Barangay for CYs 2019 to 2021 did not present and disclose PPE – Land contrary to paragraph 127 of International Public Sector Accounting Standards (IPSAS) 1 on the Presentation of FS, thus providing inadequate information that may mislead interested users on the FS.



Audit Recommendations

We recommended that the Punong Barangay and Barangay Treasurer verify and obtain necessary information/documents as to the nature or mode of acquisition of the Land to provide the basis for the transfer of ownership and recognition of the said property in the barangay books of accounts. Otherwise, make the necessary disclosure in the Notes to the FS.



PAYABLES



Audit Observations

Long-outstanding payables not reverted to surplus affected the accuracy and reliability of the accounts.



Audit Observations

Payables which remained outstanding for more than two years, were not reverted to the unappropriated surplus, contrary to Section 98 of the PD No. 1445 and COA Circular No. 76-45, thus casted doubt on the accuracy and reliability of the said accounts as of December 31, 2023.



Audit Recommendations

We recommended that the Punong Barangay coordinate with the Municipal Accountant to cause the immediate reversion of the long outstanding payables aged over two years to the unappropriated surplus in the General Fund.



Audit Observations

Lack of supporting documents for long-outstanding payables cast doubt on their validity and existence.



Audit Observations

The validity and existence of the Accounts Payable, Bail Bonds Payable and Other Payables which remained unpaid for over three to six years, could not be established due to the absence of adequate documents to support the claims, contrary to Sections 4 and 98 of PD No. 1445 and Section 40, Book 6 of the 1987 Administrative Code of the Philippines.



Audit Recommendations

We recommended that the Punong Barangay instruct the Barangay Treasurer to coordinate with the City Accountant to locate the supporting documents that will establish the validity of the claims recorded under the Accounts Payable, Bail Bonds Payable and Other Payables accounts; and



Audit Recommendations (continued)

If proven futile and/or no actual claims had been filed, make the necessary adjustments in the books.

Henceforth, ensure that payables which have been outstanding for two years and without valid claims are reverted/adjusted to Unappropriated Surplus, as follows:



Audit Recommendations (continued)

Adjusting Entry:

Accounts Payables	xxx	
Bail Bonds Payables	xxx	
Other Payables	xxx	
Equity		xxx



Audit Observations

Unrecorded accrued utility expenses resulted in understated expenses and liabilities, affecting the accuracy of the financial statements.



Audit Observations

Unpaid utilities expenses for electricity, water and internet subscription of the Barangay incurred in CYs 2021, 2022 and 2023, were not recorded as accrued expenses in the books of accounts, contrary to Section 119 of PD No. 1445 and Section 9 of the Manual on the Financial Management of Barangays.



Audit Observations (continued)

Thus, understating the corresponding Electricity Expense, Water Expense and Internet Subscription Expense accounts, and Due to BIR and Accounts Payable equivalent to the amount of withholding taxes and net amount payable to the creditors.



Audit Recommendations

We recommended that the Punong Barangay:

- a. ensure that all the unpaid liabilities of the Barangay at year-end are properly coordinated with the Office of the Municipal Accountant for their recording in the books of accounts as accrued expenses; and



Audit Recommendations (continued)

- b. coordinate with the Municipal Accountant and Barangay Bookkeeper for the preparation of the necessary adjusting entry to correct the recording of the abovementioned payments for electricity expense which were debited to Expense accounts instead of Prior Year's Adjustment account in CY 2024.



CASUAL, JOB ORDER AND CONTRACTUAL WORKERS



Audit Observations

Continued Use of Manual Payroll System for Job Order Personnel Resulting in Internal Control Weaknesses

Casual, Job Order and Contractual
workers



Audit Observations

The Barangay still adopted the manual payroll system for the payment of salaries and wages of Job Order personnel, contrary to Section 124 of PD No. 1445 and pertinent provisions of the Public Financial Management (PFM), thus signifies internal control weakness exposing the system and the funds to risks of loss through theft and/or misappropriation.

Casual, Job Order and Contractual
workers



Audit Recommendations

We recommended that the Punong Barangay direct Barangay Treasurer to expedite the adoption of the ATM payroll system for all City personnel to safeguard government funds from the risk of loss and/or misappropriation associated with the manual payroll system.



Audit Observations

Lack of Supporting Accomplishment Reports and DTRs for Job Order Payrolls Affecting Validity of Claims

Casual, Job Order and Contractual
workers



Audit Observations

Paid payrolls for services rendered under JO contracts were not supported with duly verified accomplishment reports and DTRs, contrary to Section 4(6) of PD No. 1445 and Item 1.2.1 of Revised Government Documentary Requirements for Common Government Transactions, hence, validity of the claims could not be determined.



Audit Recommendations

We recommended that the Punong Barangay direct the Barangay Treasurer to ensure that individual accomplishment reports and DTRs of JO personnel are attached in the liquidation reports of cash advances for wages of JO personnel to avoid audit suspension of their wages.



Audit Observations

Non-Execution of Required Contracts for Job Order Workers Affecting Compliance and Performance Monitoring

Casual, Job Order and Contractual
workers



Audit Observations

The Barangay did not provide individual contracts, Memorandum of Agreement, or job orders outlining the specific duties, responsibilities, and other critical terms and conditions for the Job Order workers.



Audit Observations (continued)

That is contrary to Sections 6.3 and 11.1 of COA-DBM Joint Circular (JC) No. 2 s. 2020 as amended by COA-DBM JC No. 2 s. 2022 and Section 2 of CSC Resolution No. 02-0790, thus, compromised the Barangay's ability to effectively evaluate workers' performance.



Audit Recommendations

We recommended that the Punong Barangay to prepare a contract, MOA, or job order between the Barangay and each JO worker to establish a clear and binding agreement; and

Casual, Job Order and Contractual
workers



Audit Recommendations (continued)

ensure that comprehensive provisions, including but not limited to the workers' duties, responsibilities, terms of employment, payment structure, and the agreed method of payment (daily wage or piece of work) were stated in the contract to facilitate the proper validation of workers performance.

Casual, Job Order and Contractual
workers



COMPLIANCE WITH TAX LAWS



Audit Observations

Delayed remittance of withheld taxes led to accumulation of liabilities and exposed officials to penalties and surcharges.



Audit Observations

Taxes withheld from the claims of the contractors and suppliers were not remitted to the BIR within ten days following the close of the calendar month, resulting to accumulation of unpaid taxes



Audit Observations (continued)

contrary to Section 2.58 of BIR Revenue Regulation (RR) No. 2-98, as amended by BIR RR No. 11-2018, and BIR Revenue Memorandum Circular (RMC) No. 23-2012, thus exposed responsible government barangay officials to risk of being personally charged with interests and surcharges for late remittances of income taxes.



Audit Recommendations

We recommended that the Punong Barangay direct the Barangay Treasurer to immediately remit the remaining unremitted amount to the BIR; and



Audit Recommendations (continued)

Henceforth, strictly comply with Section 2.58 of BIR RR No. 2-98, as amended by BIR RR No. 11-2018, and BIR RMC No. 23-2012 by ensuring that the amount of all taxes withheld are remitted in full on or before the 10th day of the following month, otherwise, hold the Barangay Treasurer and/or other responsible officials personally liable for payment of surcharges and interests, if any.



NATIONAL TASK FORCE TO END LOCAL COMMUNIST ARMED CONFLICT (NTF-ELCAC)



Audit Observations

Efficient utilization of Local Government Support Fund – Support to the Barangay Development Program (LGSF-SBDP) funds indicates that program objectives were successfully achieved.



Audit Observations

The Barangay was able to optimally utilize the LGSF-SBDP of the NTF-ELCAC which was received during CY 2024, registering a very high utilization rate, hence, the purpose for which the fund was allocated has been fully served.



Audit Recommendations

We recommended that the Municipality continue to further strengthen its efforts and initiative in maximizing the utilization of National Government support funds to harmonize and aid in the delivery of basic services to the public.



20% DEVELOPMENT FUND



Audit Observations

Utilization of 20% Development Fund for Non-Capital Expenditures Contrary

20% Development Fund (DF)



Audit Observations

20% DF were used to fund programs or projects that did not partake the nature of investment or capital expenditure, contrary to Section 2.3 of the DILG the and DBM Joint Memorandum Circular No. 2017-01, thus, attainment of the desired socio-economic and environmental outcomes was not optimized.



Audit Recommendations

We recommended that the Punong Barangay and all concerned officials ensure that all PPAs to be funded under the 20% DF starting CY 2021 conform with the criteria provided under the guidelines set forth in DBM-DILG JMC No. 2020-01 dated Nov. 4, 2020, which amended DBM-DILG JMC No. 2017-01, to avoid suspension and/or disallowance in audit.



Audit Observations

**Repeated Spending of 20% Development Fund
Leading to Project Duplication and Unnecessary
Expenditures**



20% Development Fund (DF)

Audit Observations

The Barangay's 20 percent DF were not judiciously planned as demonstrated by continuous and repeated spending for cleaning and de-clogging of canals, despite the implementation of the same projects/ activities, contrary to DBM, DOF and DILG JMC No. 1.



Audit Observations (continued)

Thus, resulting in overlapping and/or duplication of projects/activities and constitute unnecessary expenditures as defined under Item 4.0 of COA Circular No. 2012-003.



Audit Recommendations

We recommended that the Punong Barangay, in close coordination with the Barangay Development Council, to:

- a. Submit written explanation and/or justification as to why the expenditures for the de-clogging of canals, especially the payments made during the dry season, from December to May, should not be disallowed in audit;



Audit Recommendations (continued)

- b. restrict the implementation of de-clogging of canals during the dry season, otherwise, provide documents showing its necessity such as but not limited to PAGASA weather forecast, specific dates the projects were implemented, specific locations and maps and geo-tagged pictures of the de-clogging activities; and



Audit Recommendations (continued)

- c. ensure that PPAs charged against the 20 percent DF are well-planned and necessary to optimize the utilization of the fund and avoid duplication of projects, pursuant to DBM-DOF-DILG JMC No. 1 dated November 4, 2020.



Audit Observations

Payments Exceeding 20% Development Fund Appropriations Affecting Validity and Propriety of Transactions



20% Development Fund (DF)

Audit Observations

Payments charged against the 20 percent DF exceeded appropriations, contrary to Section 305(a) of the Republic Act (RA) No. 7160, thus the validity and propriety of the subject transactions could not be fully ascertained.



Audit Recommendations

We recommended the Punong Barangay direct the Chairman of the Committee on Appropriations and the Barangay Treasurer to submit approved supplemental budget, if there is any, otherwise excess amount will be disallowed in audit.



Audit Observations

Low or Underutilization of 20% Development Fund Limiting Socio-Economic Development Benefits for the Barangay

20% Development Fund (DF)



Audit Observations

The primary purpose of attaining desirable socio-economic development of the Barangay may not be achieved, due to unutilized/partly utilized or low utilization of the 20% DF, contrary to DBM, DOF and DILG JMC No. 2017-01 dated February 22, 2017, thus depriving the Barangay's constituents of potential benefits had the 20 percent development fund was optimally utilized.



Audit Recommendations

We recommended that the Punong Barangay see to it that funds are optimally utilized in accordance with the guidelines on the appropriation and utilization of 20% DF.

We also recommended that the Punong Barangay instruct the Barangay Treasurer to coordinate with the accounting office for reconciliation of their respective records.



Audit Observations

**Payments for Barangay 20% Development Fund
Procurements Made Despite Incomplete
Documentation**



20% Development Fund (DF)

Audit Observations

Various procurement of goods charged against the 20% DF of the Barangay, were processed and paid despite incomplete documentation, contrary to Section 5.1.2 of the MFMB and COA Circular No. 2012-001, thus the validity, regularity and propriety of the paid expenses could not be established.



Audit Recommendations

We recommended that the Punong Barangay to instruct the Barangay Treasurer to submit all the lacking documents in compliance with Section 5.1.2 of the MFMB and COA Circular No. 2012-001, otherwise, subject for the issuance of Notice of Suspension (NS).



Audit Observations

Non-Compliance with Public Bidding for 20% Development Fund - Financed Programs, Projects and Activities (PPAs) Resulting in Potential Loss of Competitive Pricing



Audit Observations

Various PPAs, charged against the 20% DF were not done through Public Bidding, contrary to Section 10 of the Revised Implementing Rules and Regulations (IRR) of RA No. 9184, thus deprived the government to obtain the most advantageous price had it undergone a competitive and transparent procurement process.



Audit Recommendations

We recommended that the Punong Barangay and other Barangay Officials explain and justify why the PPAs did not undergo through competitive bidding; henceforth, strictly comply with the revised IRR of RA No. 9184.



Audit Observations

Implementation of Unprogrammed PPAs Charged to 20% Development Fund Without Approved Appropriations Affecting Legality and Propriety



20% Development Fund (DF)

Audit Observations

Unprogrammed PPAs were implemented and charged under the 20% DF despite absence of approved appropriations, contrary to Section 4 (1) of PD No. 1445 and Section 1.1.1 of the MFMB, thus casting doubt on the legality, propriety and validity of the charges made against the fund.



Audit Recommendations

We recommended that the Punong Barangay instruct the concerned Barangay Officials to:

- a. explain in writing why the unprogrammed PPAs were implemented and charged from the 20% DF; and



Audit Recommendations (continued)

- b. submit a copy of the duly approved supplemental budget and supplemental AIP relative to the relative to the budgetary realignment and unprogrammed PPAs of the 20% DF pursuant to Section 321 of the RA No. 7160 and Article 417 of its IRR, otherwise, subject for audit disallowance.



Audit Observations

Non-Implementation of Budgeted PPAs Under 20% Development Fund Limiting Socio-Economic and Environmental Outcomes



20% Development Fund (DF)

Audit Observations

PPAs with budgeted funds under the 20 percent Development Fund was not implemented as of year-end, inconsistent with the provision of Item 3.2.3 of DBM, DOF and DILG JMC No. 1, thereby the attainment of desirable socio-economic development and environmental outcomes was not fully realized.



Audit Recommendations

We recommended that the Punong Barangay ensure the immediate implementation of said projects and provide funds for development projects that are ready for implementation to facilitate optimal and timely utilization of the 20% Development Fund in the succeeding period pursuant to DBM, DOF and DILG JMC No. 1.



Audit Observations

Non-Submission and Non-Preparation of 20% Development Fund Utilization Reports Hindering Audit and Validation of Projects



Audit Observations

The Barangay did not submit the Utilization Report of 20% DF to the Audit Team within the prescribed period, contrary to Section 122 of PD No. 1445. Thus, precluded the Audit Team from properly exercising their function during the conduct of audit of the Barangay.



Audit Recommendations

We recommended that the Punong Barangay require the Barangay Treasurer/concerned Barangay Officials to submit the aforementioned report and documents to the Audit Team, in compliance with Section 122 of PD No. 1445.



Audit Observations

The quarterly utilization reports for the 20% DF of the Barangay were not prepared, contrary to DBM, DOF and DILG JMC No. 2020-1, hence the Audit Team cannot validate whether the projects implemented are beneficial to the constituents.



Audit Recommendations

We recommended that the Punong Barangay require the Barangay Treasurer to prepare the quarterly utilization reports of the 20% DF and submit the same to the Audit Team.



Audit Observations

Deficiencies in Compliance Documentary Requirements for Common Government Transactions in 20% Development Fund Projects



20% Development Fund (DF)

Audit Observations

Utilization of the 20% Development Fund, particularly for infrastructure projects, showed deficiencies on compliance with the provisions of COA Circular No. 2012-001 dated June 14, 2012, hence, the propriety of the implementation of the projects is doubtful.



Audit Recommendations

We recommended that the Punong Barangay ensure strict compliance with the provisions of COA Circular No. 2012-001 dated June 14, 2012 in the utilization of the 20% DF, particularly for infrastructure projects, by requiring the submission of complete and proper documentary requirements.



LOCAL DISASTER RISK REDUCTION MANAGEMENT FUND (LDRRMF)



Audit Observations

Underutilization of the Barangay Disaster Risk Reduction and Management Fund (BDRRMF) resulted in idle resources and unmet objectives



Audit Observations

The Barangay did not fully maximize the use of the appropriation and the prior years' unexpended balance for BDRRM as of December 31, 2021, contrary to RA No. 10121, thereby the fund remained idle and the intended purposes of which were not fully achieved.



Audit Observations (continued)

Moreover, despite the ability of the Barangay to prepare and submit the Barangay Disaster Risk Reduction Management Fund Investment Plan (BDRRMFIP) and its corresponding Accomplishment Report, the timeliness of project implementation and the expected output on the utilization of fund are not determined and evaluated, contrary to Section 5.1.2 of COA Circular No. 2012-002.



Audit Recommendations

We recommended that the Punong Barangay ensure that the appropriation for LDRRMF is fully utilized by seeing to it that the planned projects/programs are implemented in adherence with the provisions of the RA No. 10121. We further recommend that the Punong Barangay and the concerned Barangay officials prepare a comprehensive BDRRMFIP, in compliance with Section 5.1.2 of COA Circular No. 2012-002.



Audit Observations

**Disbursements
appropriations**

exceeding

approved

LDRRMF



Audit Observations

Disbursements charged to LDRRMF exceeded the approved annual appropriations contrary to Section 1.1.1 of the MFMB, thus the legality, propriety and validity of the disbursements charged against the fund could not be established.



Audit Recommendations

We recommended that the Punong Barangay direct the CCA, Barangay Treasurer and BDDRMO to explain and/or justify in writing the payment of Barangay DRRMF related expenses in excess of the approved annual appropriations or submit the corresponding supplemental budget, otherwise, the amount will be disallowed in audit.



Audit Observations

Failure to revert unutilized BDRRMF balances after five years



Audit Observations

Unutilized balance of the BDRRMF was not yet reverted to the General Fund to be made available for other social services after five years these had been appropriated, contrary to paragraph 3, Section 21 of RA No. 10121, thus depriving other viable projects of the Barangay.



Audit Recommendations

We recommended that the Punong Barangay instruct the Barangay Treasurer to revert the amount to the General Fund so that it can be appropriated for other social services to be identified by the Sangguniang Barangay.



Audit Observations

LDRRMF expenditures were not supported by an approved Investment Plan



Audit Observations

Appropriation for various PPAs charged against the LDRRMF and the unexpended LDRRMF of the past five years were not supported with the LDRRMF Investment Plan (LDRRMFIP), contrary to 5.1.2 of COA Circular No. 2012-002. Thus, the requirement to include all DRRM PPAs in the LDRRMFIP prior to its utilization was not complied with.



Audit Recommendations

We recommended that the Punong Barangay require the Barangay DRRM Committee and the Barangay Treasurer to ensure that all PPAs charged against the LDRRMF, including those funded from unexpended balances, are included in a duly approved LDRRMFIP prior to implementation, in accordance with Section 5.1.2 of COA Circular No. 2012-002.



Audit Observations

Failure to maintain subsidiary ledgers for DRRMF transfers



Audit Observations

Subsidiary Ledgers (SL) for the transfers of the Barangay's unutilized DRRMF to the Special Trust Fund was not maintained by the Municipal Accountant, contrary to MFMB, thus the correctness of the balance of Trust Liabilities-DRRM could not be ascertained.



Audit Recommendations

We recommended that the Punong Barangay to instruct the Barangay Treasurer to coordinate with the Municipal Accountant to prepare and maintain SL for the said account in accordance with the prescribed rules and regulations and ensure that the correct balances of unexpended/unobligated Barangay DRRMF are transferred to Special Trust Fund account.



Audit Observations

Failure to maintain the Registry for Special Trust Fund resulted in difficulty in determining the balances of unspent LDRRMF.



Audit Observations

Registry for Special Trust Fund (RSTF) was not maintained by the Barangay for the unspent funds of 5% LDRRMF for CY 2021, contrary to Items 11.1.3 and 11.1.7 of the MFMB, thus the balances of the said funds could not be readily determined.



Audit Recommendations

We recommended that the Punong Barangays require the Chairman, Committee on Appropriations to prepare and maintain an updated RSTF for each of the Special Trust Fund of the Barangay to determine the available balance of the funds at any given time.



Audit Observations

Improper maintenance of Record of Appropriations and Obligations (RAO) – DRRMF and failure to prepare required reports hindered effective monitoring and evaluation of fund utilization.



Audit Observations

The RAO - DRRMF were not properly accomplished and the Report on Sources and Utilization of DRRMF were not prepared and submitted to the Audit Team, contrary to Annex 6 of the MFMB, Section 12 of RA No. 10121 and Item 5.1.5 of COA Circular No. 2012-002, thus affecting the proper monitoring and evaluation of the utilization of the fund.



Audit Recommendations

We recommended that the Punong Barangay require the:

- a. Chairman, Committee on Appropriations (CCA) to diligently prepare the RAO of the Barangay in accordance with the prescribed guidelines of the MFMB; and



Audit Recommendations (continued)

- b. BDRRM Officer to prepare and submit the monthly Report on Sources and Utilization of DRRMF on or before the 15th day after end of each month to the COA, duly certified by the Municipal Accountant, pursuant to the provisions of RA No. 10121 and COA Circular No. 2012-002.



Audit Observations

Non-disclosure in the Notes to Financial Statements (NTFS)



Audit Observations

Trust Liabilities - DRRMF as at year end is unreliable due to inadequate disclosure in the NTFS, contrary to Items 5.1.10 to 5.1.13 and 5.1.16 of COA Circular No. 2012-002, thus users of financial statements were not provided with sufficient information on the unexpended balance of the fund.



Audit Recommendations

We recommended that the Punong Barangay direct the Municipal Accountant, in coordination with the Barangay Treasurer, to fully disclose the details of the previous years' unexpended balances of LDRRMF in the Notes to Financial Statements, as required under Items 5.1.10 to 5.1.13 and 5.1.16 of COA Circular No. 2012- 002.



Audit Observations

Non-preparation and submission of monthly report on Sources and Utilization of LDRRMF.



Audit Observations

The monthly Report on Sources and Utilization of LDRRMF was not submitted to the Office of the Auditor, contrary to Item 5.1.5 of COA Circular No. 2012-002, thus affecting the prompt evaluation of the LDRRMF plan and accomplishments.



Audit Recommendations

We recommended that the Punong Barangay direct the BDRRMC to submit to the Audit Team the monthly Report on the Sources and Utilization of LDRRMF on or before the 15th day after the end of each month in compliance with COA Circular No. 2012-002; and



Audit Recommendations (continued)

Henceforth, strictly comply with the provisions of RA No. 10121 and COA Circular No. 2012-002.



GENDER AND DEVELOPMENT (GAD)



Audit Observations

Non-submission of GAD plans and reports



Audit Observations

The Barangay did not submit to the Audit Team its GAD Plan and Budget (GPB) and GAD Accomplishment Reports (ARs), contrary to Philippine Commission on Women (PCW), DILG, DBM and National Economic and Development Authority (NEDA) JMC No. 2016-01 dated January 12, 2016 and COA Circular No. 2014-001 dated March 18, 2014.



Audit Observations (continued)

Thus, the appropriations and disbursement of GAD Fund could not be properly and timely evaluated as to their relevance and effectiveness in addressing gender issues prevailing in the Barangay.



Audit Recommendations

We recommended that the Punong Barangay direct the Barangay Treasurer and GAD Coordinator to:

- a. submit GPB for CYs 2021 to 2023 to the Audit Team in compliance with PCW-DILG-DBM-NEDA JMC No. 2016-01 and COA Circular No. 2014-001; and



Audit Recommendations (continued)

- b. ensure the preparation and submission of GPB and GAD AR to the Audit Team in the ensuing years within the prescribed period to properly and timely evaluate the relevance and effectiveness in resolving gender issues identified by the Barangay.



Audit Observations

Insufficient allocation for GAD programs limited the implementation of gender-responsive initiatives and compliance with budget requirements.



Audit Observations

The Barangay's allocation for GAD PPAs was below the requirement of at least 5% of the total Annual Budget, contrary to Item 1 (C.1) of Section 4.1 of the JMC 2013-01 of the PCW-DILG-DBM-NEDA, thereby limiting the PPAs that promote gender-responsive governance and promote women's economic empowerment.



Audit Recommendations

We recommended and the Punong Barangay agreed to ensure that the GPB shall not be less than 5% of the total Annual Budget.



Audit Observations

Underutilization of the GAD budget

Gender and Development (GAD)



Audit Observations

The Barangay was not able to utilize the total budget for GAD, contrary to Item A (5) of Section 4.1 of the JMC No. 2013-01 of the PCW-DILG-DBM-NEDA, thus depriving the constituents of the benefits that could be derived from these GAD PPAs.



Audit Recommendations

We recommended and the Punong Barangay agreed to ensure that the planned projects/programs/activities for Gender and Development are implemented.



Audit Observations

Failure to establish and maintain a GAD database



Audit Observations

The Barangay has not established or maintained a GAD Database despite purchasing a module totaling P1,075,844.00 due to compatibility issues with existing equipment, in violation of PCW-DILG-DBM-NEDA JMC No. 2013-01, thereby casting doubt on the validity of the disbursement and potentially impairing the effective identification and resolution of gender issues.



Audit Recommendations

We recommended that the Barangay:

- a. report the issue to the module supplier to resolve the compatibility problem and ensure the module is fully operational; and



Audit Recommendations (continued)

- b. establish and maintain the GAD Database using the purchased module/program to enable effective identification of priority gender issues for comprehensive planning, programming, and policy development.



Audit Observations

Charging expenses to GAD funds without clear linkage to gender objectives undermined the purpose of promoting gender-responsive programs.



Audit Observations

The cost of training of P462,500.00 for Comprehensive Anti-Drug Abuse Prevention Program (CADAPP) in CY 2022 was charged against the GAD Fund, contrary to Items C.1.1 and C.1.4 of PCW-DILG-DBM-NEDA JMC No. 2013-01, thus defeating the purpose of addressing gender issues towards gender equality and women's empowerment.



Audit Recommendations

We recommended that the Punong Barangay:

- a. submit written justification and other documents necessary to support the charging of the noted training/seminar against the GAD Fund; and



Audit Recommendations (continued)

- b. direct the CCA and Barangay Treasurer to refrain from charging expenses that do not address gender-related issues against the GAD Fund and henceforth, only appropriate and utilize the Fund for PPAs that are in accordance with the guidelines set forth in PCW-DILG-DBM-NEDA JMC No. 2013-01.



SK FUND TRANSFER



Audit Observations

The SK Fund balance for CY 2023 was not yet transferred to the SK current account as of December 31, 2023, contrary to DBM-DILG-NYC JMC No. 1, s. 2019 dated January 23, 2019, thus depriving the SK of the barangay of much-needed funds for priority youth development and empowerment PPAs.



Audit Recommendations

We recommended that the Punong Barangay instruct the Barangay Treasurer to:

- a. cause the immediate transfer of the SK Funds to the SK current account which remained unreleased as of December 31, 2023; and



Audit Recommendations (continued)

- b. strictly observe the prescribed deadlines on the release of the SK Funds provided under DBM-DILG-NYC JMC No. 1, s. 2019 dated January 23, 2019, to ensure that the SK has the available funds to implement its programmed expenditures according to the timing/schedule provided in the Annual Barangay Youth Investment Program.



Audit Observations

The amount transferred by the Barangay to the current account of the SK for CYs 2021 to 2023 was deficient, contrary to Sections 3.2.3 and 4 of the DBM, DILG and NYC JMC No. 1, series of 2019, thus depriving the SK of the benefits from the PPAs that could be implemented had the funds been transferred to SK on time.



Audit Recommendations

We recommended that the Punong Barangay direct the Barangay Treasurer to immediately transfer the SK Funds to the SK current account and strictly adhere to the guidelines on the appropriation, release, planning and budgeting process for the SK funds.



Audit Observations

The amount transferred by the Barangay to the current account of the SK for CYs 2021 to 2023 exceeded contrary to Sections 3.2.3 and 4 of the DBM, DILG and NYC JMC No. 1, series of 2019, thus depriving the Barangay of much needed funds for the delivery of basic services to its constituents and that could be implemented if the actual amount transferred to the SK fund was accurate.



Audit Recommendations

We recommended that the Punong Barangay, Barangay Treasurer and other Official concern to submit a satisfactory written justification to the Audit Team on the noted deficiencies.

Henceforth, it is recommended that prospectively ensure and monitor the correct computation and timely remittance of SK fund.



Audit Observations

The transfer of SK Fund was erroneously recorded and presented in the financial statements of the Barangay, contrary to the provisions of the MFMB, thus, understating the Transfer of SK Allocation account for years 2021, 2022, and 2023.



Audit Recommendations

We recommended that the City Accounting Office to:

- a. make the necessary adjusting entries relative to the transfer of SK Funds; and
- b. use the “Transfer of SK Allocation” as the appropriate account to record the transfer of SK Funds in the ensuing years.



UNSUBMITTED DISBURSEMENT VOUCHERS



Audit Observations

Non-submission of the Barangay's DVs for CYs 2021 to 2023, precluded the Audit Team to validate the propriety of these disbursements, contrary to Section 39 of Presidential Decree (PD) No. 1445 and Section 7.2 of COA Circular No. 2009-006.



Audit Recommendations

We recommended that the Punong Barangay require the Barangay Treasurer to immediately submit the lacking DVs and supporting documents to the Audit Team pursuant to PD No. 1445 and Section 7.2 of COA Circular No. 2009-006 to ascertain that these are valid transactions. Otherwise, these transactions shall be disallowed in audit.



Audit Recommendations (continued)

Also, initiate administrative disciplinary action against the concerned officers for non-submission of the DVs for CYs 2021, 2022 and 2023, pursuant to Section 39 of PD No. 1445 and Section 12.5, Chapter XII of the MFMB.



FINANCIAL REPORTS



Audit Observations

The required Statement of Comparison of Budget and Actual Amounts (SCBAA) for the year ended December 31, 2023 was not submitted to the Audit Team due to non-compliance with the barangay reporting requirements contrary to paragraphs 21 of the IPSAS 1, Section 47 of IPSAS 24 and Section 10.4, Chapter 10 of the MFMB, hence, depriving users of the FS other relevant information.



Audit Recommendations

We recommended that the Punong Barangay require the Barangay Treasurer to submit the required reports mentioned to facilitate the preparation of the SCBAA.



Audit Recommendations (continued)

We also recommended that the Municipal Accountant monitor and demand from the Barangay Treasurer strict compliance to the submission of their reports and conform with the required preparation of SCBAA of the barangay financial statements within the prescribed deadline.



Audit Observations

The Statement of Cash Flows (SCF), Statement of Net Assets/Equity (SNAE), SCBAA and NTFS for the year ended December 31, 2023 was not prepared and submitted by the Municipal Accountant, contrary to Section 10.4 of the Manual on the Financial Management of Barangays, thus resulted to non-transparency in reporting on the financial condition, results of operations and cash flows of the Barangay.



Audit Recommendations

We recommended that the Municipal Accountant immediately submit the SCF, SNAE, SCBAA and NTFS for the year ended December 31, 2023 in compliance with the Manual on the Financial Management of Barangays.



Audit Recommendations (continued)

Henceforth, observe the proper reporting and disclosure requirements pursuant to the same Manual in the preparation and submission of the complete set of financial statements, including the SCF, SNAE, SCBAA and NTFS, which shall be within 60 days after the close of the reporting period.



OTHERS



Audit Observations

The Barangay maintains two Land Bank of the Philippines (LBP) Accounts as its government depository bank contrary to Section 4.1.15 of the MFMB, hence, resulting in difficulty of tracking account balances and recording and poses the risk of loss in the event of fraudulent acts.



Audit Recommendations

We recommended that the Barangay immediately process the closing of one account and maintain only one Authorized Government Depository Bank for easy monitoring and to reduce the risk of loss of government funds.



SANGGUNIANG KABATAAN

NON-COMPLIANCE WITH SEPARATE ACCOUNTS



Audit Observations

The SK Chairperson and Treasurer were not able to secure their respective bonds as accountable officers/signatories for the SK Fund as of year-end of CY 2023, contrary to the Handbook on the Financial Transactions of the Sangguniang Kabataan (HFTSK).



Audit Observations (continued)

Thus, the SK was still unable to open a bank account and was further hindered from exercising their financial independence in operations, disbursements, and encashment of their fund, income, and expenditures.



Audit Recommendations

We recommended that the SK Chairperson to require the SK Treasurer to:

- a. secure their respective bonds in accordance with Treasury Circular No. 02-2009 dated August 6, 2009; and



Audit Recommendations (continued)

- b. subsequently open the SK current bank account in the nearest authorized government depository bank in accordance with DOF Department Circular No. 1-2017 and maintain the SK Fund in the latter.



Audit Recommendations (continued)

Furthermore, ensure that the relevant requirements pertaining bonding of accountable officer and maintaining the SK's bank account are adhered to.



SK WITH SEPARATE ACCOUNTS
NON-SUBMISSION OF DVS AND OTHER
REPORTS



Audit Observations

Accountable forms, records, registers, registries, DVs and supporting documents, and other reports of SK were not prepared and submitted to the Office of the Auditor due to the non-performance of reportorial functions of the SK officials concerned.



Audit Observations (continued)

Contrary to Section 3.22 of the Handbook on the Financial Transactions of the Sangguniang Kabataan (HFTSK), thus defeated the purpose of its preparation and the timely communication of vital information to end-users is likewise delayed.



Audit Recommendations

We recommended that the SK Chairperson direct the SK Treasurer and Budget Monitoring Officer to submit the required accountable forms, records, registers, registries, DVs and supporting documents, and other reports, of SK covering the period April to December 2024 for timely communication of vital information to end-users, in compliance with Section 3.22 of the HFTSK.



NON-COMPLIANCE WITH DOCUMENTARY REQUIREMENTS



Audit Observations

Purchases of various supplies and materials thru public bidding amounting to P920,000.00 for CY 2024 were not supported with complete documentations required under the 2016 revised IRR of RA No. 9184 and COA Circular No. 2012-001, thereby casting doubt on the propriety, validity and regularity of said disbursements



Audit Recommendations

We recommended that the SK Chairman require the SK Treasurer to:

- a. cause the immediate submission of the lacking documents for the procurement of various goods thru public bidding. Otherwise, the Audit Team may be constrained to suspend or disallowed these transactions based on existing circumstances; and



Audit Recommendations (continued)

- b. strictly comply with, and ensure that succeeding payments for various transactions are duly supported with complete documentation as prescribed under the 2016 revised IRR of RA No. 9184 and COA Circular No. 2012-001 to prevent adverse audit actions that may be imposed by the Audit Team for disbursements with incomplete supporting documents.



Audit Observations

Liquidation of cash advance for the Linggo ng Kabataan amounting to P85,000.00 in CY 2024 were processed and approved without complete documentation, contrary to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001, thereby casting doubt on the propriety, validity and regularity of the said transactions.



Audit Recommendations

We recommended that the SK Chairperson instruct the SK Treasurer to submit the aforementioned lacking documents pertaining to the liquidation of cash advances granted in CY 2024 totaling P85,000.00. Otherwise, the Audit Team may be constrained to suspend or disallow this transaction.



Audit Observations

Payment to referees hired for the SK's tournaments totaling P333,000.00 were made in cash through the former SK Treasurer's cash advance, contrary to the Commission on Audit Circular No. 97-002, thus, exposed the funds to risks of loss, misappropriation or misuse and enabled concerned officials to circumvent the rules on procurement.



Audit Recommendations

We recommended that the SK Chairperson direct all concerned officials to:

- a. strictly comply with COA Circular No. 97-002 by ensuring that all payments to suppliers, contractors and other payees are made in checks, except when it can be clearly shown that it is impossible, impractical or difficult to pay the suppliers by checks; and



Audit Recommendations (continued)

- b. strictly comply with BIR RMO No. 11-2018 by ensuring that all taxes due to the national government are accordingly withheld and remitted by the SK of the Barangay.



QUESTIONS / CLARIFICATIONS?





Thank you.

