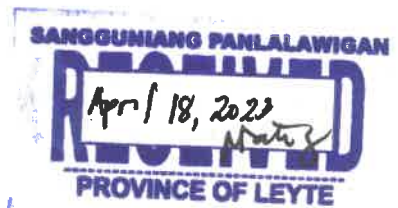


Item No.: 10
Date: APR 25 2023



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. VIII
Local Government Audit Sector (LGAS) -B
Candahug, Palo, Leyte

OFFICE OF THE SUPERVISING AUDITOR

5 April 2023

Honorable CARLOS JERICHO L. PETILLA
Governor
Province of Leyte

**Management Letter on the Compliance Audit on the
Utilization of the 20% Development Fund of the Province of Leyte
For the period from 1 January 2022 to 31 December 2022**

Dear Governor Petilla:

- 1) We have audited the utilization of the 20% Development Fund (DF) of the Provincial Government of Leyte covering the period 01 January to 31 December 2022, specifically, the LGU's compliance with Item 3.2.5 of Department of Budget and Management-Department of Finance-Department of Interior and Local Government (DBM-DOF-DILG) Joint Memorandum Circular Circular No. 1 dated November 4, 2020.
- 2) The audit was conducted to ascertain whether the Province did not use the 20% Development Fund (DF) for the six ineligible expenditure items enumerated in Item 3.2.5 of JMC No. 1.
- 3) We conducted our compliance audit in accordance with the International Standards of Supreme Audit Institutions on compliance auditing (specifically ISSAI 4000). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.

- 4) For Budget Year 2022, the Sangguniang Panlalawigan of the Province of Leyte appropriated ₱1,028,789,333.75 for Development Fund, or 20% of the National Tax Allocation (NTA) of ₱3.7Billion. The same amount was subsequently reported in the Registry of Allotments and Obligations - Current Annual Budget as the allotment to meet obligations for the current year. In addition, the Province still have Continuing Appropriations of ₱1,145,493,116.34.
- 5) Obligations and charges to the Fund were both for Maintenance & Other Operating Expenses and Capital Outlay, which included expenditures for Repairs and Maintenance - Infrastructure Assets, Subsidy to Other Local Government Units, Road Networks, Flood Control Systems, Power Supply Systems, and other items.
- 6) Validation was conducted on the financial transactions under the Fund by examining, through sampling based on the materiality template, the Disbursement Vouchers (DVs) and supporting documents, and tracing the transactions to the Reports of Checks Issued, budget registries and electronic accounting system of the Province. Additional inquiries with the personnel of the Provincial Budget Office was also performed to attain clarification on minor issues.
- 7) This Management Letter present to you the outcome of our compliance audit, which was already previously communicated to you, and other officials concerned, through an Audit Observation Memorandum (AOM) dated 20 February 2023. Their responses were incorporated in this Management Letter (ML), where appropriate.

Basis for the Conclusion

- 8) The registries of allotment and obligations for the current and continuing appropriations, as well as other financial documents, confirmed that all charges and disbursements from the 20% DF were utilized for infrastructure and socio-economic development programs and projects of the Provincial Government of Leyte, including financial assistance to barangays and other LGUs, as counterpart for their respective infrastructure projects.

Conclusion on the Subject Matter

- 9) Based on the audit work performed, the Provincial Government of Leyte did not utilize their 20% Development Fund for ineligible expenses in compliance with Item 3.2.5 of DBM-DOF-DILG Joint Memorandum Circular No. 1 dated November 4, 2020.

Detailed Observations and Recommendations

- 10) The Provincial Government of Leyte obligated ₱916 million and disbursed ₱593 million in CY 2022 from the current and continuing appropriations of the 20% Development Fund for eligible expenditure items and none for those prohibited in Item 3.2.5 of DBM-DOF-DILG Joint Memorandum Circular No. 1 dated 4 November 2020, hence, the Province was able to demonstrate their proactive commitment to address the developmental needs of its constituents and stakeholders.
- 11) Item 3.2.5 of the DBM-DOF-DILG Joint Memorandum Circular No. 1 dated 04 November 2020 prohibits the charging of specific ineligible items against the 20% Development Fund (DF), as follows:
- 3.2.5 The following expenditure items shall not be allowed to be charged against the 20% DF:*
- 3.2.5.1 Personal Services expenditures, such as salaries, wages, overtime pay, and other personnel benefits;*
- 3.2.5.2 Administrative expenses, such as supplies, meals, representation, communication, water and electricity, petroleum products, and the like;*
- 3.2.5.3 Travelling expenses, whether domestic or foreign;*
- 3.2.5.4 Registration fees and other expenses related to the conduct of and participation to trainings, seminars, conferences or conventions;*
- 3.2.5.5 Purchase, maintenance or repair of administrative office' furniture, fixtures, equipment or appliances; and*
- 3.2.5.6 Purchase, maintenance or repair of motor vehicles used for administrative purposes.*
- 12) For Budget Year 2022, the Sangguniang Panlalawigan of the Province of Leyte appropriated ₱1,028,789,333.75 for their Development Fund (DF), or 20% of the National Tax Allocation (NTA) of ₱3.7Billion. In addition, the Province still have Continuing Appropriations of ₱1,145,493,116.34. Thus, for CY 2022, the total appropriations for DF amounted to ₱2,174,282,450.09.

- 13) Of the appropriated amount, a total of ₱916,887,036.92 were obligated, of which ₱593,817,811.57 were disbursed, for various developmental projects pursuant to the Annual Investment Program. The breakdown by expenditure item is shown in Table 1.

Table 1. Summary of Appropriations, Obligations and Disbursements for the 20% Development Fund

Particulars	Current Annual Budget CY 2022	Continuing Appropriations	GRAND TOTAL
APPROPRIATIONS:	₱1,028,789,333.75	₱1,145,493,116.34	₱2,174,282,450.09
OBLIGATIONS:			
Subsidy to Other Local Government Units (Financial assistance to finance infrastructure projects undertaken by barangays & municipalities in the Province of Leyte)	₱70,840,000.00	₱300,000.00	
Donations (For the supply and delivery of embankment materials and construction of evacuation centers/multi-purpose halls)	4,956,561.00	12,097,000.00	
Road Networks	99,092,357.06	23,259,560.06	
Flood Control Systems	5,972,482.83	11,831,074.88	
Water Supply Systems	7,982,349.61	15,640,038.86	
Power Supply Systems	11,235,923.14	4,484,081.86	
Other Infrastructure Assets	242,952,986.93	400,500,620.69	
Other Structures	832,000.00	-	
Motor Vehicles (Countryside Program)	-	4,910,000.00	
Total	₱443,864,660.57	₱473,022,376.35	₱916,887,036.92
DISBURSEMENTS:	₱226,112,222.43	₱367,705,589.14	₱593,817,811.57

- 14) Further review of the Disbursement Vouchers and other related documents disclosed that the 20% DF were indeed utilized to finance major infrastructure endeavors of various barangays and municipalities in the province, as well as for the advancement of the Socio-Economic Livelihood programs, under the Office of the Provincial Governor, for the general welfare of the constituents. No ineligible expenditure items were charged against the 20% DF during CY 2022.

- 15) Thus, the Province was able to demonstrate their proactive commitment to address the developmental needs of its constituents and stakeholders.
- 16) We commend the Provincial Government of Leyte for their compliance with Item 3.2.5 of DBM-DOF-DILG Joint Memorandum Circular No. 1 and we encourage their continued robust commitment to adhere with relevant guidelines on the proper utilization of the 20% Development Fund in their future transactions.

Status of Implementation of Prior Year's Audit Recommendations

- 17) Prior years' recommendations on the compliance audit of the 20% DF, and the status of its implementation, are discussed in Part III of the CY 2022 Annual Audit Report on the Province.


Acknowledgment

- 18) We wish to express our appreciation to the Management and staff of the Provincial Government of Leyte for the cooperation and assistance extended to our Audit Team during the audit.

Very truly yours,

Commission On Audit

By:


CHERYL T. SYPACO
State Auditor V
Supervising Auditor

Copy furnished:

- The Regional Director
Department of the Interior and Local Government, Region 8
- The Regional Director
Department of Budget and Management, Region 8
- The Regional Director
Bureau of Local Government Finance, Region 8
- The Secretary
Sangguniang Panlalawigan, Province of Leyte