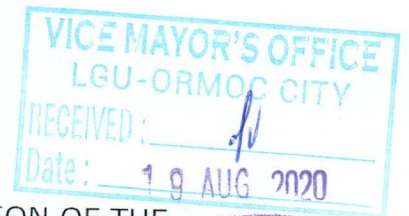
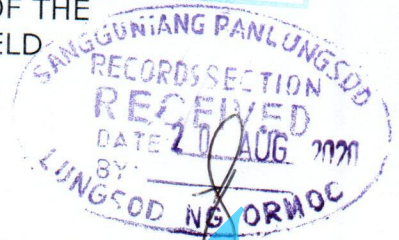


REPUBLIKA NG PILIPINAS
SANGGUNIANG PANLUNGSOD
LUNGSOD NG ORMOC



EXCERPT FROM THE MINUTES OF THE REGULAR SESSION OF THE
FIFTEENTH SANGGUNIANG PANLUNGSOD NG ORMOC HELD
AT THE SANGGUNIANG PANLUNGSOD SESSION HALL,
ORMOC CITY HALL BUILDING
ON AUGUST 18, 2020



PRESENT:

Leo Carmelo L. Locsin, Jr.
Benjamin S. Pongos, Jr.,
Roiland H. Villasencio,
Tomas R. Serafica,
Nolito M. Quilang,
Eusebio Gerardo S. Penserga,
Jasper M. Lucero,
Peter M. Rodriguez,
Vincent L. Rama,
Gregorio G. Yrastorza III,
Lalaine A. Marcos,
Esteban V. Laurente,

City Vice Mayor & Presiding Officer
SP Member, Majority Floor Leader
SP Member, 1st Asst. Majority Floor Leader
SP Member, Presiding Officer "Pro-Tempore"
SP Member, 2nd Asst. Majority Floor Leader

SP Member
SP Member
SP Member
SP Member
SP Member
SP Member

Joan Marbie C. Simbajon,

Ex-Officio SP Member, Chapter President,
Liga ng mga Barangay ng Ormoc
Ex-Officio SP Member, Chapter President,
Panlungsod na Pederasyon ng mga Sangguniang Kabataan ng Ormoc

PREFATORY STATEMENT

WHEREAS, the Sangguniang Panlungsod received an endorsement letter from the City Mayor's Office (CMO) dated August 6, 2020, requesting for a supplemental appropriation in the amount of SEVEN MILLION FIVE HUNDRED THOUSAND PHILIPPINE PESOS (PHP7,500,000.00) for the development and implementation of Quality Management System (ISO Program);

WHEREAS, ISO 9001 is the international standard for a quality management system ("QMS") and to be certified to the ISO 9001 standard, a company must follow the requirements outlined in the ISO 9001 Standard. The standard is used by organizations to demonstrate their ability to consistently provide products and services that meet customer and regulatory requirements and to demonstrate continuous improvement;

WHEREAS, to recall, this Sanggunian passed Appropriation Ordinance No.006 Series of 2019 last August 26, 2019, and appropriated Seven Million Five Hundred Thousand Pesos (P7,500,000.00) for the development and implementation of Quality Management System Certifiable to ISO 9001:2005 under the City Planning Development Office (CPDO) and then issued Resolution No. 2019-093 approving the creation of the Trust Liability Account under the General Fund for the same program to avoid fund reversion at the end of the year;

WHEREAS, the Commission on Audit (COA) issued Audit Observation Memorandum (AOM) No. 2020-04 dated July 3, 2020, herein attached as Annex "A", stating that the City Planning Development Office (CPDO), the implementing office, has not yet started the program as of December 31, 2019 hence, the trust liability account created was without basis of the obligation for the said program hence, is not a faithful representation of the transactions in the City's financial statements. COA further recommended that the City Budget Officer cancel the aforementioned obligation and revert the amount to the Unappropriated Surplus of the City;

WHEREAS, the request was referred to the Offices of the City Budget Officer, City Accountant, and the City Treasurer for appropriate recommendations as to the funding source thereof and in this respect, LBP No. 8 and LBP No. 9, herein attached as Annex "B" and "C" respectively, were consecutively issued by the concerned offices certifying therein that the amount of SEVEN MILLION FIVE HUNDRED THOUSAND PHILIPPINE PESOS (PHP7,500,000.00) is deemed available for the aforementioned purpose to be taken from the Unappropriated Surplus, End of Year 2019 of the General Fund of this city;

WHEREAS, this Sanggunian finds supplemental request justified and deemed reasonable and meritorious as the implementation of aforementioned project of the concerned local government office is directed towards the good and benefit of the Ormoc City constituents and in furthering the office's efficacy and effectiveness in the rendering of their services to the general public hence, most deserving of prompt favorable action;

WHEREFORE, FOREGOING PREMISES CONSIDERED, on motion of SP Member Peter M. Rodriguez, Chairman, Committee on Finance & Appropriation, severally seconded by SP Members Tomas R. Serafica, Gregorio G. Yrastorza III, Esteban V. Laurente, Lalaine A. Marcos, Joan Marbie C. Simbajon, Roiland H. Villasencio and Vincent L. Rama: be it

RESOLVED, AS IT IS HEREBY RESOLVED, to enact:

**APPROPRIATION ORDINANCE NO. 021
(Series of 2020)**

AN ORDINANCE APPROPRIATING THE AMOUNT OF SEVEN MILLION FIVE HUNDRED THOUSAND PHILIPPINE PESOS (PHP7,500,000.00) FOR THE DEVELOPMENT AND IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEM (ISO PROGRAM) CHARGEABLE AGAINST THE UNAPPROPRIATED SURPLUS, END OF YEAR 2019 OF THE GENERAL FUND, THIS CITY.

BE IT ENACTED, by the Fifteenth Sangguniang Panlungsod of Ormoc in Regular Session assembled, that:

SECTION 1. CY 2020 GENERAL FUND SUPPLEMENTAL BUDGET. The total amount of SEVEN MILLION FIVE HUNDRED THOUSAND PHILIPPINE PESOS (PHP7,500,000.00) of the General Fund Supplemental Budget CY 2020 of the City of Ormoc is hereby appropriated for the development and implementation of Quality Management System (ISO Program) chargeable against the Unappropriated Surplus, End of Year 2019 of the General Fund of this city.

SECTION 2. EFFECTIVITY. This Appropriation Ordinance shall take effect immediately upon its approval.

RESOLVED, FURTHER, that sufficient copies of this Appropriation Ordinance, together with all supporting documents thereof, be submitted to the Honorable Secretary of Department of Budget and Management, Manila, through the City Budget Officer of Ormoc and the Regional Director, Department of Budget & Management, Tacloban City, for review purposes;


ENACTED, August 18, 2020.

A.O. No. 021, S. 2020

RESOLVED, FURTHERMORE, to furnish copies of this Appropriation Ordinance, one each to the City Mayor Richard I. Gomez; the City Administrator, Mr. Vincent L. Emnas; the City Legal Officer, Atty. Josephine M. Romero; the City Budget Officer; the City Accountant; the City Treasurer; City Planning and Development Office; the City Auditor; the City Local Government Operations Officer, DILG, Engr. Jesus Jeremy D. Bagares; and other offices concerned;

CARRIED by all Sangguniang Panlungsod Members present. SP Member Eusebio Gerardo S. Penserga was out of the Session Hall during the voting.


I HEREBY CERTIFY that the foregoing Appropriation Ordinance No. 021 series of 2020 which approved the General Fund Supplemental Budget of Ormoc City for CY 2020 was duly enacted by the Fifteenth Sangguniang Panlungsod ng Ormoc in its regular session.


MARIA ANTONIETA G. CO HAT
Secretary to the
Sangguniang Panlungsod

ATTESTED:


LEO CARMELO L. LOCSIN, JR.
City Vice Mayor & Presiding Officer

APPROVED:


RICHARD I. GOMEZ
City Mayor
AUG 20 2020



Republic of the Philippines
COMMISSION ON AUDIT
LGS C - Leyte II and Biliran Province
Team R8-01, New Ormoc City Hall
Ormoc City, Leyte

AOM No. 2020-04
Date: July 3, 2020

AUDIT OBSERVATION MEMORANDUM (AOM)

HON. RICHARD I. GOMEZ
City Mayor
Ormoc City

Attention: **Rosario G. Serafica**
City Accountant

Sabrina P. Duero
Budget Officer

We have audited the transactions on Consultancy Services account of the City for CY 2019 and observed the following:

1. The amount of P7.5 million was obligated and recorded in the books of the City as expenses for Consultancy Services with corresponding liability even if the transaction has not yet occurred and no contract exist, so as to prevent the reversion of the funds to the unappropriated surplus at yearend, contrary to Section 322 of RA No. 7160, Section 112 of PD No. 1445 and IPSAS 1, thus, expenses and liabilities in the financial statements of the City for CY 2019 were overstated and misrepresented.

- 1.1. Section 322 of R.A. 7160 states that:

Section 322. Reversion of Unexpended Balances of Appropriations, Continuing Appropriations – Balances of appropriations authorized in the annual appropriations ordinance shall revert to the surplus of the general fund at the end of the fiscal year and shall not thereafter be available for expenditure except by subsequent enactment. XXX.

- 1.2. Section 112, PD 1445 on Recording of Financial Transactions provides: Each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

- 1.3. Paragraph 7 of International Public Sector Accounting Standard (IPSAS) 1 on Accrual Basis states:

Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

Xxx

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

Xxx

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

- 1.4. Paragraph 27 of the same standard provides:

Fair Presentation and Compliance with IPSASs

27. Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenues, and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

- 1.5. On August 26, 2019, the Sangguniang Panlungsod (SP) passed Appropriation Ordinance No. 006 s. 2019 providing for a supplemental appropriations of P7.5 million for the development and implementation of *Quality Management System Certifiable to ISO 9001:2005* under the City Planning and Development Office (CPDO).

- 1.6. Then on October 15, 2019, the SP passed Resolution No. 2019-093 approving the creation of a Trust Liability account in the General Fund for the development and

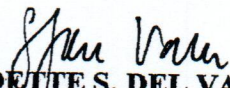
implementation of *Quality Management System Certifiable to ISO 9001:2005* for the City Government of Ormoc and authorizing the City Accountant for the creation of such account. The said SP Resolution categorically stated that:


"WHEREAS, for this amount not to be reverted back to the surplus account at the end of the year, as per Section 350, Chapter 4 of the Local Government Code, and be deemed unusable, the funds need to be transferred to a Trust Liability account under the General Fund."

- 1.7. In the audit of Consultancy Services account in the General Fund (GF), it was noted that the amount of P7.5 million was recorded in the said expense account per Journal Entry Voucher (JEV) No. 2019-12-015713, with a corresponding amount in the Trust Liability account. No contract, accomplishment reports and bidding documents were attached to the JEV.
- 1.8. The review of the Status of Appropriation, Allotments and Obligations (SAAOb) under Current Legislative Appropriation submitted by the CBO showed that the amount was already fully obligated as of December 31, 2019.
- 1.9. Verification from the staff of CPDO, the implementing office, disclosed that the program has not started yet as of December 31, 2019. Their Office have not even prepared the Purchase Request and no public bidding was conducted as of year-end for the procurement of consultancy services.
- 1.10. Clearly, the recognition of the expense and liability was based only on SP Resolution No. 2019-093 with the sole purpose of avoiding the reversion of the P7.5 million as of year-end as required in Section 322 of R.A. 7160. The section cited in the SP Resolution, Section 350, pertains to accounting for obligations and provides that all lawful expenditures and obligations incurred during a fiscal year shall be taken up in the accounts of that year. Although the cited provision does not apply, the intention of the SP was clear and definite.
- 1.11. An obligation refers to an amount committed to be paid by the government for any lawful act, made by an authorized officer, for and in behalf of the government. Since no contract was perfected and no services were rendered by an individual consultant or consultancy firm, there was no basis for the recognition of an expense in the books of accounts. Moreover, it did not create any obligation on the part of the City.
- 1.12. Recording the expense and setting up a trust liability without basis overstated the expenses and liabilities in the books of the City by P7.5 million and does not give a faithful representation of the transactions in the financial statements as of December 31, 2019.

- 1.13. We recommend that the City Accountant prepare the Journal Entry Voucher to correct the entry made in JEV No. 2019-12-015713 and record expenses and liabilities only when these are incurred and an obligation arises from a valid transaction.
- 1.14. We also recommend that the City Budget Officer cancel the obligation made for P7.5 Million without legal basis to revert the amount to the unappropriated surplus of the City.

May we have your comments on the foregoing observations within five (5) calendar days from the receipt hereof.


LINETTE S. DEL VALLE
State Auditor IV
Audit Team Leader


CHERYL T. SYPACO
State Auditor V
Supervising Auditor

Proof of Receipt of AOM

Name: _____
Date: _____

OFFICE OF THE CITY MAYOR
RECEIVED
DATE: 05 AUG 2020
TIME: 4:00
SIGNATURE: *[Signature]*

STATEMENT OF FUNDING SOURCES
(SUPPLEMENTAL BUDGET No.)
FY 2020

General Fund
Fund/Special Account

Particulars (1)	Account Classification (2)	Amounts (3)
1.0 New Revenue Sources		
Tax Revenue		
Loan Proceeds (Borrowings)		
2.0 Actual Collection in Excess of the Estimated Income		
3.0 Savings		P7,500,000.00
4.0 Realignment		
5.0 Reversion of Appropriation		
Total Estimated Income		P7,500,000.00

DELIA C. VILBAR
City Treasurer

ROSARIO G. SERAFICA
City Accountant

LBP Form No.9

STATEMENT OF SUPPLEMENTAL APPROPRIATION CY 2020
ORMOC CITY

Implementing Office (1)	Particulars/Purpose (2)	AIP Code (3)	Object of Expenditure (4)	Account Code (5)	Amount (6)
C P D O	Quality Management System (ISO Program)	1000-2-01-009-010	Consultancy Services	5-02-11-030	7,500,000.00
Total Supplemental Appropriation					P7,500,000.00

Prepared :

SABRINA P. DUERO
City Budget Officer

Approved:

RICHARD L. GOMEZ
City Mayor