

## EXECUTIVE SUMMARY

### Introduction

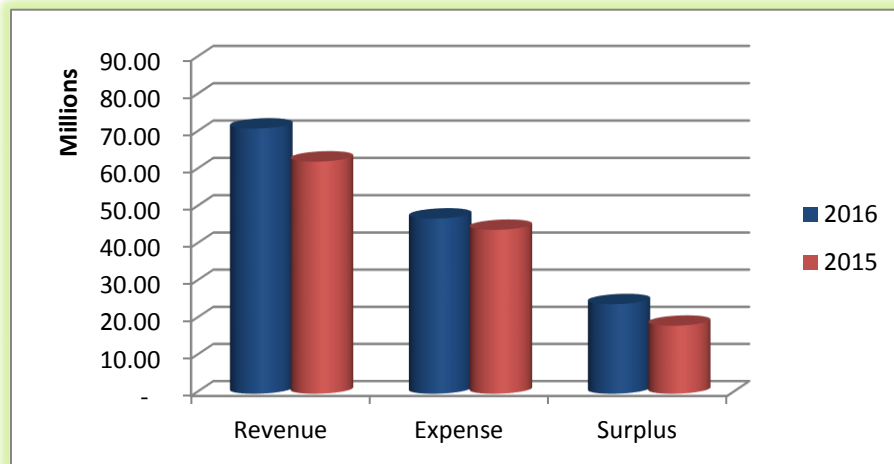
Republic Act No. 7160 or the Local Government Code of 1991 gave the Municipality of Licuan-Baay the role to serve primarily as a general purpose government for the coordination and delivery of basic, regular and direct services, and effective governance of the inhabitants within its territorial jurisdiction. In view of this, the Municipality had the mission or purpose to sustain economic growth, promote social justice, health and nutrition programs, and pursue plans and programs that will uplift the living conditions of the citizenry in the locality.

The Municipality is headed by Honorable Mayor Alejo S. Domingo and assisted by the elected Vice Mayor Chester B. Sannadan and eight (8) Sangguniang Bayan Members. It has a total of 72 personnel complement, composed of 11 elective officials, 61 permanent employees and 2 co terminus employees.

### Financial Highlights

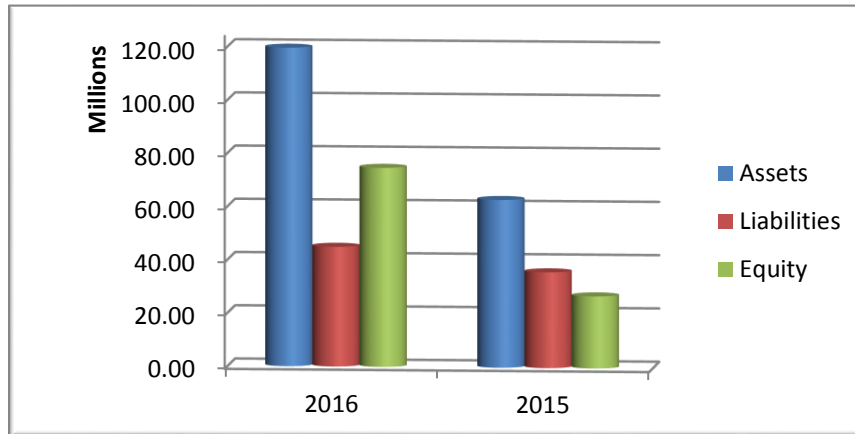
For Calendar Year 2016, the Statement of Financial Performance as graphically illustrated below showed a significant increase in the surplus of the Municipality by ₱5.809 million as compared to the increase in Share from Internal Revenue Taxes as well as receipt of the share from Tobacco Excise Tax.

#### Financial Performance



On the other hand, the Statement of Financial Position show an increase in total assets by ₱56.657 million, increase in total liabilities by ₱8.986 million, and an increase in total equity by ₱47.670 million as compared to the previous year. The same is graphically illustrated as follows:

## Financial Position



## Operational Highlights

For the year 2016 the municipality reported various accomplishments funded under the 20% Development Fund. Included therein are the following infrastructure projects:

Projects	Appropriation	Actual Expenditure
1. Patong Water System	₱ 200,000.00	₱ 199,250.00
2. Gubing Footpath	400,000.00	199,860.00
3. Capualan Spillway	300,000.00	299,080.00
4. Subagan Spillway	400,000.00	399,790.00
5. Mapisla Steel Bridge-Phase I	1,000,000.00	995,408.73
6. Mapisla Steel Bridge-Phase II	1,977,261.00	1,962,922.13
7. Rehabilitation of Municipal Multi-purpose hall	1,432,001.08	1,432,001.08
8. Dominglay-Sucao Footpath	300,000.00	317,600.00
9. Madao Waiting Shed	110,000.00	109,522.89
10. Poblacion Brgy Health Station	310,000.00	308,215.36
11. Poblacion Road Entrance Concreting	300,000.00	299,620.01
12. Nagatotong-Tamadi CIS Construction	400,000.00	399,719.00
13. Malnoog Plaza Erosion Control	250,000.00	249,770.00
<b>Total</b>	<b>7,179,262.08</b>	<b>6,973,509.20</b>

## Scope of Audit

The audit covered the operations of the Municipality for the year 2016. The objectives of the audit were to ascertain the fairness and reliability of the Municipality's financial position, and financial performance; and to determine whether the plans, programs, and activities for the year were attained in an efficient, economical, and effective manner. We also conducted compliance audit to check on the legality and propriety of the transactions and compliance with applicable laws, rules and regulations.

## **Auditor's Report on the Financial Statements**

We rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following reasons:

1. The non/delayed submission of disbursement vouchers and debit memoranda totaling ₱2,837,267.30 precluded the Audit Team in verifying the accuracy and reliability of the balances of the affected accounts as presented in the Financial Statements;
2. Doubtful validity of the Statement of Comparison of Budget and Actual Amounts due to the non-preparation/non-maintenance of various budgetary reports
3. Management failed to initiate action for the collection of its receivables totaling ₱8,086,739.70. Further, some receivables remained undocumented, thereby, casting doubt as to the propriety and validity of the recorded balance of the said account in the financial statement.
4. The existence, valuation and condition of local road networks could not be ascertained due to the non-conduct/non-submission of the Report of physical count;
5. Non-disclosure of the status and whereabouts of construction materials totaling ₱1,956,251.00 which remained unissued casted doubt whether said items are valid inventory items
6. The absence of Transfer Certificates of Titles (TCT) for Land properties recorded amounting to ₱264,500.00 as well as unreconciled discrepancy of ₱301,150.00 between the balances per Financial Statement and Tax Declaration casted doubts as to the reliability and propriety of the balance of the Land Account
7. Prior years unaccounted differences of ₱450,727.45 and ₱149,338.08 were still noted between the Subsidiary Ledgers (SL) and Cashbook as against the Bank Records

## **Summary of Significant Audit Observations and Recommendations**

The following are the other significant findings and recommendations noted in audit, which was discussed in an exit conference, and detailed in Part II of this report:

1. Various documentary requirements to verify compliance of the LGU to various regulations on the utilization of the Municipal Share from Tobacco Excise Tax totaling ₱12,571,606.00 remained unsubmitted. Hence, precluding the audit team in verifying the extent of compliance of the LGU with regard to its proper implementation

We have recommended that management justify the noted lapses and that the Municipal Mayor instruct the following concerned personnel:

- a. The Municipal Budget officer to submit supplemental investment plan/ NADAI or additional appropriation ordinance as justification for the utilization of CY 2015 Share from Burley Tobacco Excise Tax;
  - b. The Municipal Treasurer thru the help of the Local Sanggunian to open a special account solely for the receipt and utilization of the Share from Tobacco Excise Tax. Upon creation of which, the Municipal Accountant should maintain special account under the General Fund;
  - c. Henceforth, the concerned head of the unimplemented projects evaluate the viability of the implementation of the project. Develop a time line thru which the project shall be implemented; and
  - d. Management submits liquidation documents for the tobacco seedlings distributed to farmer beneficiaries.
2. Development projects which will benefit the constituents for a longer period of time were sacrificed or lessened due to non-implementation of infrastructure projects costing ₱5,960,000.00 and charges made totalling ₱1,681,771.08 which could have been funded out from other LGU funds.

We have recommended the following:

- a. For the procured construction materials, the Municipal Engineer submit proof that said items were really delivered by the suppliers. In the event that said items were really delivered by the suppliers, the whereabouts as well as the status of the said items should be reported and presented for audit;
- b. Any items which could no longer be used due to improper storage thereof should be refunded by the officials following the basic rule that accountable officers found negligent shall be liable for loss of government funds or property as provided under Section 105(2) of Presidential Decree No. 1445;
- c. For the utilization of the lump-sum appropriation, the Municipal Budget Officer, Accountant and Treasurer submit justification as to the reason for allowing the disbursements despite absence of re-alignment or additional appropriation ordinance;
- d. For the unimplemented projects, the Municipal Engineer should consult the duly prepared Annual Procurement Plan (APP) for infrastructure projects, if any, since said report include the timeline for the implementation of the project. Justification as to the reason for the non-implementation should also be submitted; and
- e. Lastly, we have recommended that management revisit DILG-DBM Joint Memorandum Circular No. 2011-1, as amended, on the expenditure items covered and prohibited to be paid out of the 20% Development Fund for guidance.

3. Local Ordinance creating the Disaster Risk Reduction and Management (DRRM) Office including the required staffing/personnel was not enacted, vulnerability and adaptation assessment was not conducted and that provision for search and rescue equipment and stockpiles calamity victims were not properly disclosed.

We have recommended that management justify the non-creation of LDRRM Office, non-hiring of the required staff, non-provision for the procurement of disaster preparedness equipment, non-conduct of vulnerability and adaptation assessment, as well as submit liquidation reports for stockpiles distributed to calamity stricken constituents.

### **Summary of Total Suspensions, Disallowances, and Charges**

As of December 31, 2016, total suspensions and disallowances amounted to ₱18,724,388.08 and ₱4,687,973.35 respectively

### **Status of Implementation of Prior Years' Audit Recommendations**

Of the 27 audit recommendations embodied in CY 2015 Annual Audit Report, one (1) was fully implemented, three (3) was partially implemented and 23 were not implemented. While out of the 2 remaining audit recommendation in CY 2014, one (1) was not implemented and the other was fully implemented