

EXECUTIVE SUMMARY

The Municipality of Malabuyoc lies in the southwestern part of Cebu Province. It is approximately 125 kilometers from Cebu City. It is bounded on the north by the Municipality of Alegria and on the south by the Municipality of Malabuyoc. It is classified as a fifth class municipality. It has a land area of 8,340.69 hectares which comprises 5 coastal barangays and 9 mountain barangays with a population of 18,426.

Pursuant to RA 7160, known as the Local Government Code of 1991, the municipality like other local government units, enjoys total independence in managing, deciding and planning its own administrative, fiscal and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

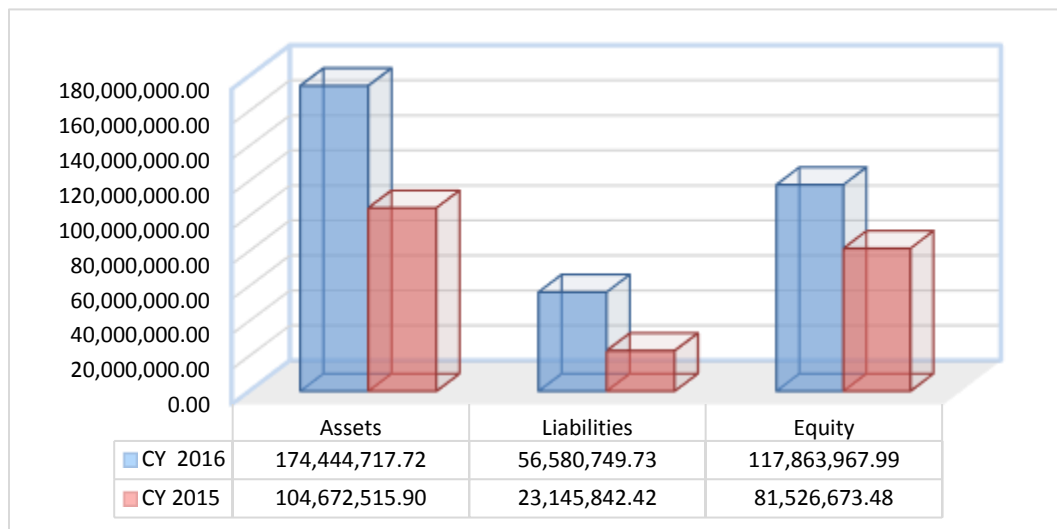
The Municipality is also known for its Mainit hot springs located in Barangay Montaneza. The springs have three pools that have varying degrees of warmth. The Malabuyoc municipal government, with the Department of Tourism (DOT) in Central Visayas, has packaged the hot springs as Cebu's version of the onsen in Japan.

For the year 2016, a number of infrastructure projects were undertaken by the municipality to address economic and social needs of the people. Some of these accomplishments were inspected and validated as to physical existence.

Highlights on Financial Operations

Financial Position

The Municipality's comparative analysis of its financial position as graphically illustrated below showed an increase on assets, liabilities and equity.



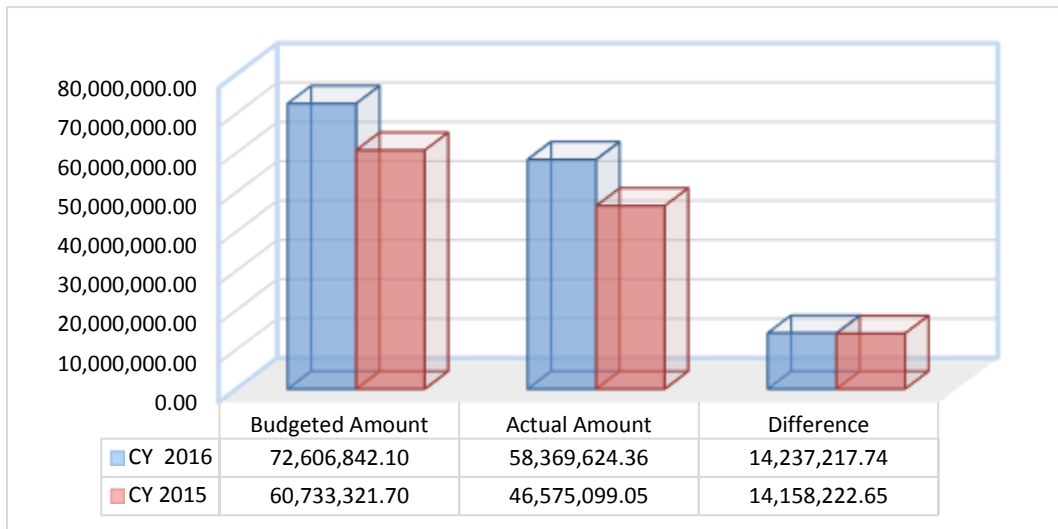
Financial Performance

Illustrations below depict the analysis of LGU’s financial performance for CYs 2016 and 2015 where both income and expenses increased, while surplus decreased.



Comparison of Budget and Actual Amounts

Meanwhile, the comparison of budget and actual amounts is illustrated below.



SCOPE OF THE AUDIT

An audit was conducted on the accounts and operations of the Municipality of Malabuyoc, Cebu for the calendar year ended December 31, 2016. The audit was made

to ascertain the regularity of disbursements, the reliability of financial reports and the adequacy of accounting records.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered an adverse opinion on the financial statements due to the following exceptions:

4. Cash in Bank balance amounting to ₱92,944,988.07 is unreliable due to failure of management to prepare and submit bank reconciliation statements (BRS) contrary to Section 74 and 122 of Presidential Decree (P.D.) No. 1445 and COA Circular No. 96-011.
5. The Municipality did not conduct physical count of Property, Plant and Equipment (PPE) with a net book value of ₱77,143,624.14 and Breeding Stocks of ₱360,780.00 or a total of ₱77,504,404.14. Thus, Management's assertions of existence, completeness, rights and obligations and valuation of the recorded PPE including its provision for depreciation, and Breeding Stocks in the financial statements could not be substantiated by it.
6. Ninety-one (91) general ledger accounts were not supported with subsidiary schedules, thus the correctness of the balances of assets and liabilities in the General, Special Education and Trust Funds totaling ₱240,432,386.64 could not be ascertained and relied on.

SIGNIFICANT AUDIT FINDINGS AND RECOMMENDATIONS

The following are the significant findings and the corresponding recommendations:

1. Procurement of 600 bags or 30,000 kilograms of NFA rice as food assistance to farmers and fisher folks in the total amount of ₱900,000.00 was not supported with the list of beneficiaries with their signatures signifying their acceptance/acknowledgement and specifying the quantity of goods received by each beneficiary, among others.

We recommend that Management complete its submission of the specified documents or a written explanation why the same could not be submitted.

2. Copies of Contracts, Purchase Orders (POs) and Work Orders (WOs) including its supporting documents were not submitted within five days from its issuance and deliveries were not subjected to inspection by the Office of the Auditor.

We recommend that Management strictly adhere and comply with the pertinent provisions of COA Circular Nos. 2009-001 dated February 12, 2009 and 96-010

dated August 15, 1996 on the prompt submission of contracts and supporting documents, purchase orders, work orders and notices of deliveries to ensure timely evaluation and verification thereof.

3. The Municipal Accountant did not submit trial balances and complete set of financial statements as set out in the Philippine Public Sector Accounting Standards (PPSAS), thus preventing review/verification of such reports at the most appropriate time and manner.

We recommend that the concerned chief executive cause the immediate submission of said interim reports and institute appropriate sanctions on employees responsible for such significant delay as enunciated by Sec. 444 of R.A. No. 7160.

4. Financial transactions for January to September 2016 could not be verified due to the non-submission of receipts and disbursement records with all paid vouchers and supporting documents, thus validity, propriety and legality of the said transactions could not be ascertained and Management could not substantiate its assertions of occurrence, completeness and authorization of the transactions.

We recommend that the concerned chief executive cause the immediate submission of subject records, disbursement vouchers, supporting documents and other reports due for submission to avoid suspension or disallowance in audit otherwise, implement the appropriate sanctions provided for by laws, rules and regulations.

5. The LDRRM Officer (LDRRMO) failed to submit the annual Local Disaster Risk Reduction and Management Fund Investment Plan (LDRRMFIP) and the Monthly Report on Sources and Utilization of DRRMF to the COA Auditor copy furnished the Office of Civil Defense and the DILG-Local Government Operations Office contrary to items 5.1.5 and 5.1.6 of COA Circular No. 2012-002 dated September 12, 2012, thus, proper utilization of the fund could not be verified.

We recommend that the LDRRM Officer religiously submit to the COA auditor copy furnished the OCD and DILG-LGOO the annual LDRRMFIP and monthly Report on Sources and Utilization of DRRM Fund certified correct by the Municipal Accountant.

6. The LGU's Solid Waste Management Plan for 2015-2024 did not bear the approval of the National Solid Waste Management Commission contrary to R.A. 9003 or the Ecological Solid Waste Management Act of 2000 dated January 26, 2001, thus the programs implemented and those to be implemented by the Municipality may not be in accordance with the National Solid Waste Management Framework. Likewise, the municipality was still operating an open dumpsite for solid wastes contrary to Secs. 17(h) and 37 of the same law hence,

the policy of the state of ensuring the health of the public and the environment not have been achieved.

We recommend that management intensify its efforts to have the Solid Waste Management Plan for 2015-2024 approved by the National Solid Waste Management Commission to achieve its vision of preserving the precious natural resources of the Municipality.

We also recommend that Management comply all applicable rules and regulations of the Ecological Solid Waste Management Act of 2000 to ensure protection of public health and environment by closing the open dump site, develop and operate a sanitary landfill as a final disposal site for solid and eventually, residual wastes of the municipality.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES and CHARGES

During the year, two (2) Notices of Suspension and two (2) Notices of Disallowance were issued. As of December 31, 2016, the status of suspensions, disallowances and charges are as follows:

	Beginning Balance	Issued	(Settled)	Ending Balance
Suspension	-	4,848,122.21	-	4,848,122.21
Disallowances	630,740.00	13,876,001.24	-	14,506,741.24
Charges	-	-	-	-
Total	630,740.00	-	-	19,354,863.45

STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS

Of the thirty one (31) recommendations contained in our prior years’ Annual Audit Report, two (2) were fully implemented, four (4) were partially implemented and twenty five (25) were not implemented.