

EXECUTIVE SUMMARY

Introduction

The Municipality of Abuyog is one of the oldest and progressive towns of the Province of Leyte. It is a 1st class municipality with sixty-three (63) barangays.

The LGU is headed by Mayor Lemuel Gin K. Traya and his Vice Mayor Octavio J. Traya, Jr. and the eight Sanggunian Bayan Members. In addition to the 11 elective officials, the municipal government has a total working force of three hundred nineteen (319) composed of 206 permanent, 53 casuals, 3 co-terminus and 46 job order personnel.

To boost its tourism industry, the Municipality joined in several festivals in Calendar Year 2016 and received awards and recognition through the Buyogan Foundation Inc. as tabulated below:

NAME OF FESTIVAL	MAJOR AWARD	SPECIAL AWARDS
Sinulog Festival	2 nd runner up (Ritual Showdown)	3 rd Place Best in Musicality
	Grand Champion (Street Dancing Category)	
Pintados Kasadyaan Festival of Festivals	3 rd Place, Ritual Showdown	Best in Costume
World Culture Festival (New Delhi, India)	First Contingent from the Philippines to be invited	

An audit was conducted on the accounts and operations of the Municipality of Abuyog, Leyte, for Calendar Year 2016 with emphasis on the audit thrusts such as : Fund Transfers to other LGUs; Fund Transfers from NGAs; Local Disaster Risk Reduction and Management (LDRRM) Fund; 20% Development Fund; Solid Waste Management and Special Education Fund. The audit was aimed to ascertain the propriety and validity of disbursements and receipts as well as the reliability of the accounts as presented in the financial statements. The audit consisted of review of operating procedures, interview with concerned municipal officials and employees, verification and analysis of accounts, and such other procedures considered necessary.

FINANCIAL HIGHLIGHTS

The municipality's assets, liabilities and equity as of December 31, 2016 and income and expenses in comparison with that in CY 2015 are presented in the next page:

Particulars	2016	2015	Increase (Decrease)
Assets	P506,168,843.48	P393,864,715.93	P112,304,127.55
Liabilities	139,377,271.41	142,787,980.77	(3,410,709.36)
Equity	366,791,572.07	251,076,735.16	115,714,836.91
Income	231,936,880.06	470,133,781.69	(238,196,901.63)
Expenses	229,099,018.14	431,994,050.01	(202,895,031.97)

Appropriations, allotments and obligations for CY 2016, as compared with that in CY 2015, as well as funds received from other government agencies and funds transferred funds to other government agencies are tabulated below:

Particulars	2016	2015	Increase(Decrease)
Appropriations, Allotment and Obligations			
Appropriations-Current	222,961,027.95	191,578,054.51	31,382,973.44
Appropriations-Continuing	12,999,725.45	12,884,597.85	115,127.60
Allotment-Current	222,961,027.95	191,578,054.51	31,382,973.44
Allotment-Continuing	12,999,725.45	12,884,597.85	115,127.60
Obligations-Current	197,931,892.79	176,666,612.45	21,265,280.34
Obligations-Continuing	8,268,947.15	8,102,562.74	166,384.41
Funds Received from Other Agencies			
NGAs	56,715,596.92	308,470,393.28	(251,754,796.36)
LGUs	3,625,000.00	0.00	3,625,000.00
NGO/Pos	0.00	0.00	0.00
Others	0.00	0.00	0.00
Total	60,340,596.92	308,470,393.28	(248,129,796.36)
Funds Transferred to Other Agencies			
NGAs	0.00	0.00	0.00
LGUs	0.00	0.00	0.00
NGO/POs	0.00	0.00	0.00
Others	0.00	0.00	0.00
Total	0.00	0.00	0.00

STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because the existence and accuracy of Property, Plant and Equipment (PPE) accounts with carrying value of ₱299 million as of December 31, 2016 could not be ascertained since no Inventory Committee was created to conduct the physical count of all properties of the LGU, the related Report on the Physical Count of Property, Plant and Equipment (RPCPPE) was not prepared and property records of the General Services Officer were inadequate which hindered the application of alternative audit procedures.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition to the exception stated above, the Auditor enumerated in her report the following significant observations and the related recommendations:

1. **Only 46% of the P46 million funds transferred from various National Government Agencies (NGAs) for the implementation of various programs and projects were utilized and implemented.**

We recommend that the Municipal Mayor require each program and project coordinator to fast-track the implementation of programs and projects funded by the National Government in accordance with the timeline provided for in the MOA and submit the Liquidation Reports and other documents to the Source Agency immediately.

2. **Actual utilization of funds transferred to the different barangays for the implementation of various programs and projects totalling P5.2 million cannot be validated whether it was used for public purpose, since no report on project completion and other documents to prove utilization of the funds were submitted by the recipient barangays to the Municipality.**

We recommend that the Municipal Mayor enforce the provisions of the MOA and require recipient barangays to submit Fund Utilization Report together with the necessary attachments as soon as the intended program/project is implemented and defer the grant of additional financial assistance unless the previous financial assistance have been liquidated.

3. **Disbursements amounting P10,899,572.00, which were not related to the implementation of development projects, were charged from the 20% Development Fund (DF), contrary to DILG and DBM Joint Memorandum Circular No. 2011-1, thus, the funds were not utilized for environmental, social and economic development projects and the purpose of the fund was not attained.**

We recommend that the Municipal Mayor utilize the 20% Development Fund only for the implementation of environmental, socio-economic development projects.

4. **The unutilized balance of the Local Disaster Risk Reduction Management (LDRRM) for CY 2016 amounting to P3,780,534.75 was not transferred to a special trust fund in the Trust Fund books and bank account, contrary to Sec. 5.1.10 and 5.1.11 of COA Circular 2012-002, thereby putting the funds at risk of being utilized for other purposes.**

We recommend that the Municipal Accountant prepare the Disbursement Voucher and the Municipal Treasurer prepare the check for the transfer of the CY 2016 unutilized MDRRMF amounting to P3,780,534.75 to the bank account in the Trust Fund maintained for MDRRMF. Also, the Municipal Accountant record the deposit in the

Trust Liabilities-DRRM account for the sole purpose of supporting disaster risk reduction and management activities of the LDRRM Council within the next five years.

We also recommend that the Municipal Disaster Risk Reduction Management Officer (MDRRMO) prepare the Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP).

- 5. The budget for CY 2016 for the Special Education Fund (SEF) was approved only in September 2016, contrary to Section 99, Republic Act 7160, thus, the planned activities for the improvement of school facilities were delayed.**

We recommend that the Municipal School Board of Abuyog, Leyte through the Municipal Mayor as Chairman, prepare the SEF budget prior to the start of the year in order to implement the planned programs and projects within the year and ensure that the desired benefits therefrom are availed by the students.

- 6. The Municipality of Abuyog did not allocate funds for Solid Waste Management Program and is not compliant with the regulations on preserving and protecting our environment.**

We recommend that the Municipal Mayor collaborate with the barangay officials in the establishment of their own Materials Recovery Facility (MRF). Also, we recommend that the Municipal Solid Waste Management Board, through the Focal Person to construct Materials Recovery Facility (MRF) and sustain the effective implementation of the LGU's Solid Waste Management Plan.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2016, total suspensions and disallowances amounted to ₱25,758,547.87 and ₱119,940.08, respectively. Further, certain transactions in CY 2016 are yet to be issued with notice of suspensions and/or disallowances, if necessary.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the thirty (30) audit recommendations embodied in CY 2015 and prior years' Annual Audit Report, twelve (12) were fully implemented, fifteen (15) were partially implemented and three (3) were not implemented.