

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Limasawa was created by virtue of Presidential Decree No. 1549 on June 11, 1978. The LGU is classified as 6th class Municipality and has six(6) barangays and the only island municipality of the Province of Southern Leyte.

The Municipality is headed by Honorable Nilo P. Petracorta and his Vice-Mayor Honorable Melchor P. Petracorta and the Sanggunian Members are as follows:

1. Honorable Sim B. Olojan
2. Honorable Ritchie L. Salomon
3. Honorable Ram P. Galvez
4. Honorable Arben C. Dagohoy
5. Honorable Eduardo A. Laurejas
6. Honorable Nestor B. Rin
7. Honorable Frie D. Montanes
8. Honorable Revina M. Cablitas
9. Honorable Editha O. Guerrero

SCOPE OF AUDIT

An audit was conducted on the accounts and operations of the Municipality of Limasawa, Southern Leyte covering transactions from January 01 to December 31, 2016. The audit was conducted in accordance with Philippine Public Sector Standards on Auditing (PPSSA). Our audit focused on the implementation of R.A. 9003 otherwise known as an “Act Providing for an Ecological Solid Waste Management Program and R.A. 10121 otherwise known as the Philippine Risk Reduction and Management Act of 2010, the audit of Special Education Fund, 20% Development Fund, compliance with the provisions of RA 9184, and fund transfers. The audit was conducted to ascertain the propriety of financial transactions, the accuracy of financial records and reports as well as compliance of the agency with prescribed rules and regulations. It was also made to ascertain whether the programs as envisioned were attained in economical, efficient and effective manner. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

FINANCIAL HIGHLIGHTS

Sources and Application of Funds Income

The Municipality of Limasawa collected a total income of P35,424,713.16 from various sources. This year’s collection showed an increase of P3,945,495.11 or 12.53% from that of 2015, as shown below:

Revenue	CY 2016 (in Pesos)	CY 2015 (in Pesos)	Increase (Decrease)	
			Amount (in Pesos)	Percentage
Tax Revenue	392,108.27	485,654.93	(93,546.66)	(19.26 %)

Share from Internal Revenue Collections	33,239,245.00	30,322,462.00	2,916,783.00	9.62 %
Other Share from National Taxes	0.00	0.00	0.00	0 %
Service and Business Income	1,054,809.61	468,116.12	586,693.49	125.33 %
Shares, Grants and Donations	598,623.10	141,412.00	457,211.10	323.32 %
Gains	0.00	0.00	0.00	0 %
Other Income	139,927.18	61,573.00	78,354.18	127.25 %
Total	34,424,713.16	31,479,218.05	3,945,495.11	12.53 %

Appropriation

Appropriations for the current year amounted to P58,791,830.14 representing increased by P6,720,416.33 or 12.91% as of last year's appropriation of P52,071,413.81, as presented below:

Function / Program Project	CY 2016 (in Pesos)	CY 2015 (in Pesos)	Increase (Decrease)	
			Amount (in Pesos)	Percentage
General Public Services	21,681,798.65	37,405,339.98	(15,723,541.33)	(42.04 %)
Education	180,000.00	0.00	180,000.00	0 %
Health, Nutrition and Population Control	3,447,909.99	3,331,296.72	116,613.27	3.50 %
Labor and Employment	0.00	0.00	0.00	0 %
Housing & Community Development	0.00	0.00	0.00	0 %
Social Services	641,973.60	614,794.24	27,179.36	4.42 %
Economic Services	3,418,793.92	2,780,878.20	637,915.72	22.94 %
Other Purposes	29,421,353.98	7,939,104.67	21,482,249.31	270.59 %
Total	58,791,830.14	52,071,413.81	6,720,416.33	12.91 %

Expenditures

Expenditures from CY 2016 amounted to P46,613,077.94. There was an increase of P19,936,167.51 or 74.73% over that of CY 2015 as presented below:

Function / Program Project	CY 2016 (in Pesos)	CY 2015 (in Pesos)	Increase (Decrease)	
			Amount (in Pesos)	Percentage
General Public Services	19,102,149.21	17,181,504.18	1,920,645.03	11.18 %
Education	136,270.90	0.00	136,270.90	0 %
Health, Nutrition and Population Control	2,402,390.98	2,599,427.54	(197,036.56)	(7.78 %)
Labor and Employment	0.00	0.00	0.00	0 %
Housing & Community Development	0.00	0.00	0.00	0 %
Social Services	616,697.95	592,296.69	24,401.26	4.12 %
Economic Services	2,579,622.69	2,376,103.86	203,518.83	8.57 %

Other Purposes	21,775,946.21	3,927,578.16	17,848,368.05	454.44 %
Total	46,613,077.94	26,676,910.43	19,936,167.51	74.73 %

Financial Conditions

The Municipality's assets, liabilities and government equity as of December 31, 2016 in comparison with that of CY 2015 are as follows:

Particulars	2016 (in Pesos)	2015 (in Pesos)	Increase (Decrease)	
			Amount	Percentage
Assets	103,648,177.89	78,492,463.20	25,155,714.69	32.05 %
Liabilities	57,294,298.69	38,343,727.02	18,950,571.67	49.42 %
Government Equity	46,353,879.20	40,148,736.18	6,205,143.02	15.46 %

OPINION OF THE AUDITOR ON THE FAIRNESS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the financial statements because the existence, accuracy and valuation of the Property, Plant and Equipment (PPE) with a reported net carrying amount of ₱ 62,765,462.61 representing 60% of the total assets cannot be ascertained due to the incomplete conduct of physical count of the LGU's PPE as of December 31, 2016.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

- 1. The existence, accuracy and valuation of the Property, Plant and Equipment (PPE) with a reported net carrying amount of ₱ 62,765,462.61 representing 60% of the total assets cannot be ascertained due to the incomplete conduct of physical count of the LGU's PPE as of December 31, 2016.**

We recommended that the Local Chief Executive:

- Require the inventory team to prioritize and complete without delay the conduct of physical inventory of PPEs as required by the cited rules. If records are no longer available to provide a basis for the costing of real assets, assessed values reflected in the Real Property Assessments of the Assessor's Office may be utilized as a reasonable basis for its valuation.
 - Impose sanctions on each member of the inventory committee who refuse to cooperate and follow his order.
- 2. The absence of the Memorandum of Agreement between the LGU and the contracting party of BUB programs amounting to P6,500,000.00 resulted in the difficulty of assessing whether the objectives of the program have been**

achieved and whether transferred funds were used solely for their intended purpose.

We recommended that the Local Chief Executive require the Municipal Accountant to ensure that all fund transfers received must have a memorandum of Agreement (MOA) with the contracting party to include a provision specifying the duties and responsibilities of the funding agency, the municipality and the third-party beneficiaries. The MOA must also include a work and financial plan that would identify and address all details of the project.

- 3. The failure of the Municipality of Limasawa to ensure the establishment of the required Materials Recovery Facility (MRF) in all the 6 barangays under its jurisdiction and the lack of coordination thru wide dissemination of information on source reduction, recycling and composting programs in conformance to the provisions of Section 32 and Section 12 respectively, of the IRR of RA 9003 is not in accord with the best principles of environmental considerations and do not ensure protection of the public health and the environment.**

We recommended for the adoption of a decentralized solid waste management system by providing financial and technical assistance for the establishment operation of functional and standard-based MRFs in the barangays of the Municipality.

We likewise recommended for a wide dissemination of information on source reduction, recycling and composting programs in conformance to the provisions of the IRR of RA 9003.

- 4. The amount of P33,860.40 charged against the Special Education Fund was utilized for expenditures other than those authorized by regulation resulting in the reduced budget for priority projects, programs and activities such as construction and repair of school buildings that is most urgently needed by the municipality's public elementary and secondary schools.**

We recommended that the Local Chief Executive, being the chair of the Local School Board strictly observe the provisions of Section 272 of the LGC, Article 363 of its Implementing Rules and Regulations and Item 4 of Joint Circular No. 01, s. 1998 of the DECS, DBM and DILG, in the utilization of the Special Education Fund.

- 5. Programs/Projects/Activities equivalent to the unexpended prior years' balances amounting to P2,410,928.01 were not included in the Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP) depriving the municipality's constituents of the benefits which could redound to their safety and wellbeing.**

We enjoined the local officials for the utilization of the unexpended balance for disaster risk reduction and management program, project & activities and include the activities to be funded from the unexpended QRF of the previous years which were transferred to the Special Trust Fund in the LDRRMFIP.

- 6. The validity and propriety of transactions could not be ascertained due to incomplete documentation of disbursement vouchers covering paid transactions totalling ₱ 312,154.72 contrary to Sec. 4 paragraph 6 of P.D. 1445, and Section 9.1.3.4 of COA Circular 2012-001 dated June 14, 2012 and COA Circular 2009-001 dated February 12, 2009.**

We recommended that the Local Chief Executive direct the Municipal Accountant to ensure the completeness of the supporting documents attached before submission to the COA Office and see to it that compliance with the above mentioned Circular be adhered to.

SUMMARY OF AUDIT SUSPENSION, DISALLOWANCES AND CHARGES

The Statement of Audit Suspensions, Disallowances and Charges as of December 31, 2016 had the following balances:

	Beginning Balance (As of January 01, 2016)	This Period January 01, 2016 to December 31, 2016		Ending Balance (As of December 31, 2016)
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

COMPLIANCE WITH TAX LAWS

During CY 2016, the municipality withheld taxes in the total amount of P2,087,365.86 and remitted the amount of P2,087,365.86.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We have followed up the actions undertaken by Municipality of Limasawa to implement the previous years' audit recommendations as contained in the Annual Audit Reports from CY's 2015. The details are discussed in Part III of this Report.

Out of the twelve (12) audit recommendations contained in prior years Annual Audit Report, only eight (8) were fully implemented, three (3) were partially implemented and one (1) remained unimplemented.