

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Tomas Oppus is headed by Honorable Mayor Agustin R. Escaño, Jr. and is supported by Honorable Vice Mayor Lodivico Callano Mosot and eight (8) members of Sangguniang Bayan. It has twenty nine (29) barangays.

SCOPE OF AUDIT

An audit was conducted on the accounts and operations of the Municipality of Tomas Oppus, Southern Leyte covering transactions from January 01 to December 31, 2016. The audit was conducted in accordance with Philippine Public Sector Accounting Standards (PPSAS). 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 2012, 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.

HIGHLIGHTS OF FINANCIAL OPERATIONS

Sources and Application of Funds

Income

The Municipality of Tomas Oppus collected a total revenue of P 57,420,935.00 from various sources, in CY 2016. The income earned in CY 2016 significantly increased by P5,091,796.95 or 9.7% compared to that of CY 2015 as shown below:

Sources of Income	2016 (in Peso)	2015 (in Peso)	Increase(Decrease)	
			Amount	Percentage
Tax Revenue	1,834,558.16	1,723,945.95	110,612.21	6%
Share from Internal revenue Collection	53,059,596.00	48,216,749.00	4,842,847.00	10%
Service and Business Income	2,526,780.84	2,388,443.10	138,337.74	6%
Shares, Grants and Donations	0.00	0.00	0.00	0
Total	57,420,935.00	52,329,138.05	5,091,796.95	10%

Appropriations

Appropriations for the current year amounted to P 65,631,830.93. There was an increase by P 8,271,309.65 or 14% compared to last year's appropriation of 57,360,521.28, as presented below:

Function/Program/Project	2016 (In Pesos)	2015 (In Pesos)	Increase(Decrease)	
			Amount	Percentage
General Public Services	36,492,417.84	31,712,326.64	4,780,091.20	15%
Education	360,000.00	344,000.00	16,000.00	5%
Health, Nutrition and Population Control	6,119,073.32	5,521,655.80	597,417.52	11%
Labor and Employment	0.00	0.00	0.00	0
Housing and Community	0.00	0.00	0.00	0
Social Services and Social Welfare	1,618,749.12	1,819,872.96	(201,123.84)	(11%)
Economic Services	2,808,195.16	2,673,929.60	134,265.56	5%
Other Purposes			0.00	0
Debt Service				
Financial Expenses	1,910,883.93	2,056,211.49	(145,327.56)	(7%)
Amortization	2,461,437.57	2,316,110.04	145,327.53	6%
LDRRMF	2,842,979.80	2,599,612.00	243,367.80	9%
20% Development Fund	5,644,597.71	4,967,381.75	677,215.96	14%
Share from National Wealth	0.00	0.00	0.00	0
Allocation for Senior Citizens and PWD	0.00	0.00	0.00	0
Special Purpose Appropriation	1,925,000.00	0.00	1,925,000.00	100%
Others	3,448,496.48	3,349,421.00	99,075.48	3%
Total	65,631,830.93	57,360,521.28	8,271,309.65	14%

Expenditures

Out of the Appropriations for the current year, the agency incurred expenditures of P 52,464,334.21. There was an increase of P 5,118,505.73 or 11% over that of CY 2015 as presented below:

Function/Program/Project	2016 (In Pesos)	2015 (In Pesos)	Increase(Decrease)	
			Amount	Percentage
General Public Services	30,997,540.64	28,302,238.53	2,695,302.11	10%
Education	327,860.91	340,116.82	(12,255.91)	(4%)
Health, Nutrition and Population Control	4,960,293.02	4,456,643.23	503,649.79	11%
Labor and Employment	0.00	0.00	0.00	0

Housing and Community	0.00	0.00	0.00	0
Social Services and Social Welfare	1,289,638.86	1,280,149.82	9,489.04	.7%
Economic Services	2,396,840.92	2,225,492.86	171,348.06	8%
Other Purposes				
Debt Service				
Financial Expenses	1,910,883.93	2,056,211.49	(145,327.56)	(7%)
Amortization	2,457,161.14	2,316,110.04	141,051.10	6%
LDRRMF	2,135,181.17	986,259.30	1,148,921.87	1.16%
20% Development Fund	3,301,118.00	3,811,284.50	(510,166.50)	(13%)
Special Purpose Appropriation	1,535,209.94	0.00	1,535,209.94	100%
Share from National Wealth	0.00	0.00	0.00	0
Other	1,152,605.68	1,571,321.89	(418,716.21)	(27%)
Total	52,464,334.21	47,345,828.48	5,118,505.73	11%

Financial Position

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

Account	2016 (In Pesos)	2015 (In Pesos)	Increase(Decrease)	
			Amount	Percentage
Total Assets	113,596,373.88	94,511,107.52	19,085,266.36	20%
Total Liabilities & Deferred Credits	58,095,652.63	49,808,853.89	8,286,798.74	17%
Total Government Equity	55,500,721.25	44,702,253.63	10,798,467.62	24%

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

The Auditor rendered a qualified opinion because the existence and correctness of the account Property, Plant and Equipment (PPE) totaling P 63,692,917.15 net of accumulated depreciation per the agency's financial statements as of year-end could not be established due to non reconciliation between the actual count reports and accounting records.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

- The existence, reliability and validity of the Property, Plant and Equipment account balance amounting to P 63,692,917.15 as of December 31, 2016 in the agency's books of accounts could not be established due to the non reconciliation between the actual count reports and accounting records.**

We recommended that the Local Chief Executive direct the Municipal Physical Inventory Committee to conduct a complete physical count of Property Plant and Equipment so as to arrive at a reconciled balance with accounting records.

- 2. The claims for goods, supplies and materials totaling P7,399,845.45 have no warranty securities, thereby, foregoing the guarantee that the supplier shall perform his responsibility in case of damaged or defective delivered goods during the applicable warranty period.**

We recommended that management strictly require all suppliers post the prescribed warranty security in compliance to Sec. 62 of the RIRR and RA 9184.

- 3. The absence of Memorandum of Agreement between the LGU and the contracting party of eight (8) BUB programs amounting to P 5,188,586.45 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 direct the Municipal Accountant-Designate to strictly observe the provisions of COA Circular No. 2012-001 and that all fund transfers received must have a Memorandum Agreement 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.

- 4. Expenditures amounting to P 1,479,775.00 and charged out of the 20% Development Fund were not aligned with the development projects contrary to Section 287 of RA 7160 and the Joint Memorandum Circular No. 1 series of 2011 of the DILG and DBM. Likewise, absence of program/project guidelines indicating its rationale, objectives, strategies and timeline for the implementation resulted in the difficulty of assessing whether government funds were economically and efficiently expended in accordance with the intended purpose and whether its implementation is geared towards the achievement of its objective.**

We recommended for the submission of justification by the Municipal Budget Officer and Municipal Accountant-Designate for non-compliance with DILG and DBM Joint Memorandum Circular No. 1 s. 2011 dated April 13, 2011, requiring the LGU to utilize the 20% component of the Internal Revenue Allotment (IRA) for development projects that will contribute to the attainment of a desirable socio-economic development and environmental management outcomes.

Moreover, programs/projects included in the agency's Annual Investment Plan for the 20% Development Fund should be in consonance with the development projects listed under the DILG and DBM Joint Memorandum Circular No. 1 s. 2011 dated April 13, 2011.

We also recommended that the preparation of program/project guidelines indicating its rationale, objectives, significance and strategies of implementation to assist the LGU officials in determining whether such programs/projects were economically and efficiently expended must be geared towards the achievement of its objectives.

- 5. Expenses totaling P 150,291.15 for utilities and wages of clerical services were paid out of the SEF, despite the issuance of DepEd Order No. 12 s. 2014, specifically Section 4 thereto providing that such expenses be charged against the MOOE of the school. Hence, the fund that should have been allocated and utilized for priority projects like construction and repair of school buildings as mandated were depleted.**

We recommended that Local School Board officials strictly observe the provisions of Section 272 of RA 7160 and advise the school administrators in their respective locality to revise their School Improvement Plan to include the expenses enumerated under DepEd Order No. 12, s. 2014.

- 6. The structure and composition of the Local Disaster Risk Reduction and Management Council of the Municipality is not in accordance with the provisions of Section 11 of RA 10121.**

We recommended that the Local Chief Executive strengthen the MDRRMC by causing the completion of the required membership of the Council to fully comply with the provisions of Section 11 of RA 10121 and to get the representation of the private sector and civil society organizations.

- 7. Management failed to comply with the required conduct of disaster monitoring contrary to Section 4 Rule 6 of IRR of RA 10121, thus, the non-implementation of targeted projects and activities using the Local Disaster Risk Reduction Management Fund (LDRRMF) may have deprived the constituents of facilities for their safety during calamities contrary to the objectives of the fund.**

We recommended for the strict adherence to the mandates on continuous disaster monitoring as part of its management of LDRRMF and in the process, use available resources towards the implementation of projects, programs and activities that are necessary for the public during emergencies.

- 8. The LGU failed to prepare a consolidated Annual Procurement Plan (APP) and a Procurement Monitoring Report (PMR) for CY 2016 contrary to Sections 7.2 and 12.2 of the Revised Implementing Rules and Regulations (RIRR) of RA 9184, thus, procured items may not be in accordance with the operational needs of the municipality.**

We recommended that the BAC, prepare the consolidated Annual Procurement Plan, duly supported by the Project Procurement Management Plan (PPMP) of each department/office and the Procurement Monitoring Report (PMR) as required under the Revised Implementing Rules and Regulations of RA 9184.

9. The LGU is not fully compliant with the five basic environmental regulations on preserving and protecting the environment required under RA No. 9003, the Solid Waste Management Act of 2000, thus, may result in negative impact on the environment and health of its citizens.

We recommended that the Local Chief Executive direct the Solid Waste Management Focal Person to: (a) provide the necessary support in enjoining the barangays to establish their own MRFs and to implement waste segregation at source; (b) strictly intensify the information campaign on the no-littering and no open burning policies among the residents; and (c) consider embarking on effective projects and programs to support the LGUs ecological solid waste management program; (d) strictly comply with all other prescribed procedures and guidelines under RA No. 9003.

Compliance with Tax Laws

The Municipality has complied with laws especially the withholding of taxes on the compensation and accordingly remitted the taxes withheld to the Bureau of Internal Revenue. The total taxes withheld for CY 2016 was For Calendar Year 2016 P2,427,453.58 while the amount remitted was P2,293,733.31.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

	Beginning Balance (As of January 1, 2016)	This Period January 1 to December 31, 2016		Ending Balance (As of December 31, 2016)
		NS/ND/NC	NS/ND/NC	
Notice of Suspension	P89,253.62	P 3,452,762.63	P 2,251,962.63	P1,290,053.62
Notice of Disallowance	0.00	411,000.00	0.00	411,000.00
Notice of Charge	0.00	0.00	0.00	0.00
TOTAL	P89,253.62	P 3,863,762.63	P 2,251,962.63	P1,701,053.62

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the ten (10) recommendations embodied in the 2015 AAR, three (3) were implemented, one (1) was partially implemented and six (6) were not implemented.

Meanwhile, the remaining fifteen (14) recommendations contained in the previous AARs which remained not implemented as of December 31, 2014, one (1) was implemented, two (2) were partially implemented, and eleven (11) were not implemented.

We reiterated prior year's AAR recommendations that have remained unimplemented.