

# EXECUTIVE SUMMARY

## A. INTRODUCTION

Upon the recommendation of the Secretary of the Department of Interior and Local Government and pursuant to the provisions of Section 68 of the Revised Administrative Code and by virtue of Executive Order No. 385 signed by the President of the Philippines, Elpidio Quirino, the Municipality of Rizal, Zamboanga del Norte was created on the 21<sup>st</sup> day of December, 1950.

The Local Government of Rizal, Zamboanga del Norte is a body politics and corporate endowed with the powers to be exercised in conformity with law. As such, it exercises powers as a political subdivision of the National Government and as a corporate entity representing its inhabitants.

It is mandated to ensure and support among the other things, the preservation and the enrichment of culture, promote health and safety, enhance the right of the people to a balanced ecology, encourage and support the development of appropriate and self-reliant scientific and technological capabilities, improve public morals, enhance economic prosperity and social justice, promote full employment among the residents, maintain peace and order and preserve the comfort and convenience of the inhabitants.

### Background

1. Legal Basis: Executive Order No. 385  
Date: December 21, 1950
2. Organizational Set-up
  - a. Key Officials:

Municipal Mayor	Hon. Fiona Marie C. Manigsaca-Resullar
Municipal Vice-Mayor	Hon. Roseller M. Manigsaca
Municipal Treasurer	Ms. Ma. Rowena B. Haloc
Municipal Accountant	Mr. Jhofel Rey B. Amba
Municipal Budget Officer	Mr. Zosimo P. Amba
  - b. Personnel Complement:

Permanent	58
Temporary/Co-Terminus/Job Orders	2 / 1 / 63
Elective Officials	11
Total Personnel Complement	135

At present as an LGU, it is implementing different programs, projects and activities in fulfillment of its mandate. Among the PPAs are related to:

1. Extension and On-site Research Services and Facilities related to Agriculture and Fishery Activities
2. Environmental Management Protection/Preservation related projects Health Services
3. Health Services
4. Social Welfare – this includes programs for children, youth, family and elderly welfare
5. Information Services
6. Infrastructure Projects to support other related services
7. Tourism
8. Peace and Order Preservation

## **AUDIT METHODOLOGY**

The Commission has been implementing risk-based audit in the conduct of its audit services. However, to meet the evolving developments in public governance and fund management, the results-based approach in audit was incorporated. The integration of these two approaches, called the Integrated Results and Risk-Based Audit (IRBBA) Methodology, was applied in the audit of the accounts and operations of the LGU.

## **SCOPE OF AUDIT**

A comprehensive audit was conducted on the accounts and operations of the Municipality of Rizal, Province of Zamboanga del Norte for CY 2016. The audit consisted of review of operating procedures, evaluation of the LGU's programs and projects, interview of concerned government officials and employees, verification, reconciliation, and analysis of accounts, and such other procedures considered necessary.

Specifically, the objective of the audit is to ascertain the propriety of the financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of the financial records and reports as well as fairness of the presentation of the financial statements. Performance audit was likewise conducted with the objective of informing management where improvement can be instituted in the field of revenues, expenditures and management of resources.

As a result of the risk assessment conducted and in compliance with the identified audit thrust of the Local Government Sector for CY 2016, the following audit areas/accounts were looked into:

1. Property, Plant and Equipment

2. Property Insurance Law
3. Procurement
4. 20% Development Fund
5. Fund Transfers from National Government Agencies (NGAs) to LGU
6. LDRRM Fund
7. Infrastructure Projects
8. Special Education Fund
9. Withholding Tax

However, due to some limitations and time constraints, the remaining audit areas identified in the Audit Instructions for CY 2016 as mandatory audit areas could not be evaluated.

## B. FINANCIAL HIGHLIGHTS

The financial condition and results of operation of the LGU as of December 31, 2016 and 2015 are summarized as follows:

	2016	2015	<u>Increase/Decrease</u>
Assets	106,354,170.86	83,741,853.82	22,612,317.04
Liabilities	47,778,341.97	45,558,376.76	2,219,965.21
Equity	58,575,828.89	38,183,477.06	20,392,351.83
Income	58,963,998.44	64,662,903.31	(5,698,904.87)
Expenses	52,780,278.42	54,630,283.91	(1,850,005.49)

The LGU's appropriations and obligations for CY 2016 and 2015 were as follows:

Particulars	Appropriations		Obligations	
	2016	2015	2016	2015
<b>A. Current Legislative-Appropriations</b>				
1. General Fund				
Personal Services	25,008,480.56	23,412,276.54	24,512,107.23	22,878,111.52
MOOE	32,239,216.00	29,242,060.25	24,381,532.40	24,529,961.57
Capital Outlay	568,408.89	335,000.00	256,830.00	219,530.00
Financial Expenses	-	1,103,622.33	-	1,103,111.49
<b>Sub-total</b>	<b>57,816,105.45</b>	<b>54,092,959.12</b>	<b>49,150,469.63</b>	<b>48,730,714.58</b>
2. Special Education Fund				
MOOE	295,000.00	279,316.88	249,231.55	269,668.00
Capital Outlay	105,000.00	1,093,000.00	20,391.00	977,641.00
<b>Sub-total</b>	<b>400,000.00</b>	<b>1,372,316.88</b>	<b>269,622.55</b>	<b>1,247,309.00</b>
<b>Total Current Legislative Appropriations</b>	<b>58,216,105.45</b>	<b>55,465,276.00</b>	<b>49,420,092.18</b>	<b>49,978,023.58</b>

<b>Particulars</b>	<b>Appropriations</b>		<b>Obligations</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Total Current Legislative Appropriations</b>	58,216,105.45	55,645,276.00	49,420,092.18	49,978,023.58
<b>B. Continuing Legislative- Appropriations</b>				
1. General Fund				
MOOE	-		-	
Capital Outlay	3,987,116.18	1,792,555.73	3,602,426.18	302,351.97
<b>Sub-total</b>	<b>3,987,116.18</b>	<b>1,792,555.73</b>	<b>3,602,426.18</b>	<b>302,351.97</b>
2. Special Education Fund				
MOOE	-	-	-	-
Capital Outlay	51,361.00	-	-	-
<b>Sub-total</b>	<b>51,361.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Continuing Legislative Appropriations</b>	<b>4,038,477.18</b>	<b>1,792,555.73</b>	<b>3,602,426.18</b>	<b>302,351.97</b>
<b>Grand Total</b>	<b>62,254,582.63</b>	<b>57,437,831.73</b>	<b>53,022,518.36</b>	<b>50,280,375.55</b>

### C. INDEPENDENT AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of presentation of financial statements of the LGU as of December 31, 2016 due to the failure of the Municipality to establish and recognize the balances of its Public Infrastructure accounts to the Property, Plant and Equipment accounts contrary to COA Circular No. 2016-004 dated September 30, 2016 and COA Circular No. 2015-008 dated November 23, 2015.

### D. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

Presented below are the significant audit observations and recommendations noted in the course of audit:

- 1. The Municipality failed to establish and recognize the balances of its Public Infrastructure accounts to the Property, Plant and Equipment accounts, contrary to COA Circular No. 2016-004 dated September 30, 2016 and COA Circular No. 2015-008 dated November 23, 2015.**

#### Recommendation

We recommended that management affect the transfer of its Public Infrastructure accounts to the Property, Plant and Equipment accounts of the LGU pursuant to the Philippine Public Sector Accounting Standards and COA Circular No. 2016-004 dated September 30, 2016.

We also recommended that the Local Chief Executive direct the following department heads for the compliance with the requirements of the COA Circular No. 2015-008 dated November 23, 2015:

a. Municipal Accountant

1. Prepare the Journal Voucher to record the beginning balance of the local road network and its components in the general ledger and the Local Road Network Ledger Card (Annex D of the Circular), respectively;
2. Support the JV with the Registry of the Public Infrastructures for the Roads, working paper on the distribution of costs for the road components, and working paper on the determination of the depreciated replacement cost for road components with no available cost per registry;
3. Keep and maintain subsidiary records for roads and road components for every road network; and
4. Prepare a lapsing schedule for the computation of the depreciation for each component at the end of the year.

b. Municipal General Services Officer/Municipal Treasurer

1. Maintain a Local Road Inventory and Road Map; and
2. Keep a complete Local Road Network Property Card for all roads and its components. (Annex E of the Circular)

c. Municipal Engineer

1. Provide the Municipal Accountant and the Municipal General Services Officer/Municipal Treasurer with the complete description and cost segregation of road components for road projects.

2. **Insurable properties valued at P14,373,927.66 of the municipality, except for the Municipal Buildings and Transportation Equipment amounting to P2,235,467.25, were not covered with the appropriate property insurance with the Government Service Insurance System (GSIS) as required in COA Circular No. 92-390 dated November 17, 1992, thus leaving its properties at risk of total loss without right of indemnification.**

Recommendation

We recommended that the Municipal Mayor direct the Municipal Property Officer to facilitate the submission of the updated list of inventory of insurable properties with

the GSIS so that the necessary insurance coverage for all the assets can be applied with the GSIS General Insurance Fund.

- 3. The Bids and Awards Committee failed to prepare and submit the approved Procurement Monitoring Report (PMR) to the GPPB, Annual Procurement Plan-Common-use Supplies and Equipment (APP-CSE) to the DBM Regional Office and prepare the Agency Procurement Compliance Performance Indicator (APCPI) contrary to Section 12.2 of the Revised IRR of RA 9184, DBM Circular Letter No. 2011-06A dated September 28, 2011 and GPPB Resolution No. 10-2012 dated June 1, 2012, respectively.**

#### Recommendation

We recommended that the Bids and Awards Committee prepare and submit the Procurement Monitoring Report for the 1st semester of CY 2017 to GPPB website on July 14, 2017; submit the CY 2018 Annual Procurement Plan-Common-use Supplies and Equipment to DBM on November 15, 2017 and prepare the APCPI for CY 2016 during the 1st quarter of CY 2017. The same shall be done on each ensuing semesters and years thereafter.

- 4. Of the total appropriations of P12,309,596.95 for the 20% Development Fund, only P7,994,484.05 or 64.94% was utilized by the municipality, contrary to Section 5 of DILG – DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011, thus depriving the intended beneficiaries of the maximum benefits that could be derived therefrom.**

#### Recommendation

We recommended that the municipal mayor will require the Municipal Planning and Development Council to maximize the utilization of the 20% Development Fund so that all its programmed development projects could be implemented immediately to ensure that intended beneficiaries avail of the maximum benefits that will be derived therefrom

- 5. Four (4) developmental projects amounting to P1,200,000.00 included in the Annual Investment Plan (AIP) were reprogrammed to other activities prior to their actual execution, thereby, depriving their supposed to be recipients of the benefits due them had these projects been implemented as prioritized and planned.**

#### Recommendation

We have recommended the municipality to formulate more realistic and doable socio-economic programs and projects and prioritize their implementation according to the needs of the constituency to avoid constant reprogramming and reversion. The Executive Committee must ensure the decisions of the council to faithfully carry out

and implement so that the public may receive the entire benefits that they may be able to derive from the projects.

- 6. Out of seventeen (17) Bottom-Up-Budgeting Projects (BUB) implemented by contract and by administration costing P27,400,000.00, fifteen (15) projects amounting to P25,870,000.00 were not completed as planned, thus targeted beneficiaries have been deprived of the benefits that would be derived from the projects.**

Recommendation

Require coordination between the Planning, Engineering, Treasury, Accounting, DSWD, DILG, and other concerned divisions/offices to fast track the implementation of BUB projects especially so that these projects are intended to provide benefits to the municipality's grassroots population.

Require the BUB focal person to regularly monitor the status of proposed BUB projects as to funding and implementation.

- 7. Financial Assistance granted to various barangays amounting to P110,000.00 was granted to finance the implementation of infrastructure projects was not supported with drawings/plans, specifications prepared by an engineer contrary to Chapter 3, Section 360(b) of the Government Accounting and Auditing Manual (GAAM) Volume I, which may possibly result to wastage of materials and subsequent loss of government resources.**

Recommendation

We recommended to the municipality that all construction/improvements, repairs and maintenance of municipal properties/facilities have to be supported with estimate of work, labor costs, drawings/plans specifications and program of work to prevent wastage of materials and losses of government resources.

- 8. Certain requirement, rules and regulations on the accounting and reporting of the LDRRMF were not properly observed contrary to COA Circular No. 2012-002 thus, depriving the updated sets of information of the sources, applications and the balance of the LDRRMF which are necessary especially in any eventuality.**

Recommendations

We recommended that management should:

- a. Require the Municipal Accountant to prepare the monthly Report on the Receipt and Utilization of Disaster Risk Reduction and Management (DRRM) Fund and

submit to the COA Auditor thru the Local Disaster Risk Reduction and Management Officer (LDRRMO) every 15<sup>th</sup> day of the month.

- b. LDRRM Officers must strictly comply with the accounting and reporting requirements stipulated in RA 10121 and COA Circular No. 2012-002, dated September 12, 2012, to ensure that the financial information is appropriately taken up in the books and properly presented in the financial statements with adequate disclosures.
- 9. The Municipality did not observe proper segregation and disposal of solid waste which is not in compliance with Republic Act (RA) 9003 or the Ecological Management Waste Program thus may have a consequential impact to public health and environment.**

Recommendation

We recommended that the municipality ensure strict compliance to the provisions of Republic Act 9003 in proper segregation, collection, transport, storage, treatment and disposal of solid waste. Ensure the implementation of segregation at source of solid waste, enforcement of “no segregation, no collection’ policy, creation of Materials Recovery Facility (MRF) in every barangay, and the development of disposal facility in the municipality.

- 10. Out of the P400,000.00 Annual Budget of Special Education Fund (SEF) for CY 2016, P210,000.00, or 53% was appropriated for Educational Research, which deprived funding for priority expenditure enumerated under Section 272 of Republic (RA) No. 7160, thus depriving the constituents of the benefits therefrom.**

Recommendation

We recommended that other basic services/ priority expenditures enumerated in Section 272 of the LGC should be considered in allocating funds of SEF so as not to deprive the constituents of the benefits from the said funds.

- 11. The Municipality of failed to remit withholding taxes on compensation within the period prescribed under Revenue Regulation (RR) No. 2-98, as amended, thus depriving the national government of the immediate use of said fund and exposing the same to risks of misappropriation or unauthorized use.**

Recommendation

We recommended that the Municipal Mayor will direct the Municipal Treasurer to immediately remit the amount of P236,118.17 to the Bureau of Internal Revenue and submit to the Office of the Auditor the proof of its remittance as soon as possible.

**D. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END**

The reported audit suspensions, disallowances and charges of the LGU as of December 31, 2016 were as follows:

<b>Audit Action</b>	<b>Balances January 1, 2016</b>	<b>Issuances during the Year</b>	<b>Settlement during the Year</b>	<b>Balance as of December 31, 2016</b>
Notice of Suspension	51,868.00	-	-	51,868.00
Notice of Disallowance	-	34,894.94	-	34,894.94
Notice of Charge	-	-	-	-
<b>Total</b>	<b>51,868.00</b>	<b>34,894.94</b>	<b>-</b>	<b>86,762.94</b>

This does not include disallowances, suspension and charges prior to the effectivity of COA Circular No. 2009-006 dated September 15, 2009.

**E. STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED AUDIT RECOMMENDATIONS**

Out of the twelve (12) audit recommendations in the 2015 Annual Audit Report, Four (4) were fully implemented, six (6) were partially implemented and two (2) were not implemented. On the Prior Years' audit recommendations, two (2) were fully implemented and two (2) were partially implemented.