

EXECUTIVE SUMMARY

Introduction

The Municipality of Sindangan, Province of Zamboanga del Norte was created by virtue of Executive Order No. 97 dated December 22, 1936 signed by then President Manuel Luis Quezon. It consists of fifty-two (52) barangays.

Sindangan, formerly an isolated barrio of the Municipality of Katipunan, is the number one (1) income-generating municipality of the province. Based on Memorandum Circular No. 01-M(76) dated January 28, 2002 issued by the Bureau of Local Government Finance, the Municipality of Sindangan is reclassified as first class municipality of the Province of Zamboanga del Norte since November 20, 2001.

The Municipality, as mandated and pursuant to Republic Act 7160, has these goals:

1. To attain economic growth and social equity through agricultural development with a balanced ecology;
2. To maximize the development of business and industry to generate employment and increase income and purchasing power of the constituents;
3. To improve the quality of life of the constituents and alleviate poverty through sustainable activities to meet the minimum basic needs for the year;
4. To improve infrastructures and utilities in support to the people's economic, social, political and ecological activities as well as develop and create a climate favorable to the industrialization of the Municipality;
5. To ensure effective governance for the Municipality through a responsive fiscal and administrative management;
6. To encourage active participation of Non-Government Organizations and special bodies in the planning and implementation of community programs and projects;
7. To establish a Market Center and Trading Post; and
8. To provide livelihood and employment opportunities.

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 (IRRBA) 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 Municipality of Sindangan, Province of Zamboanga del Norte for calendar year 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. Complete Submission of Accounts;
2. Procurement;
3. Cash and cash accounts;
4. Fund Transfers from NGAs to LGUs;
5. Property, Plant and Equipment
6. Fund Transfers to NGOs/POs;
7. Fund Transfers to Other LGUs;
8. Credit Financing and Debt Servicing;
9. Compliance with GSIS Law;
10. Compliance with HDMF Law and its IRR;
11. Compliance with Tax Laws;
12. 20% Development Fund;
13. LDRRMF;
14. Special Education Fund; and
15. Audit of financial assistance, contributions and other disbursements of LGUs to Leagues of Provinces, Cities, Municipalities, Barangays and others

Financial Highlights

The financial condition and results of operations of the Municipality as of December 31, 2016 were as follows:

Accounts	2016
Assets	419,993,117.95
Liabilities	194,445,994.03
Equity	225,547,123.92
Income	229,958,511.31
Expenses	217,081,409.58

The LGU's appropriations and obligations for the year were as follows:

Description	Appropriations	Obligations
Current Legislative Appropriations – General Fund		
Personnel Services	87,542,458.25	82,855,916.97
Maintenance and Other Operating Expenses	124,588,784.37	105,918,487.85
Financial Expenses	5,000.00	-
Capital Outlay	27,123,742.60	16,583,040.28
Current Legislative Appropriations – Special Educ. Fund		
Personnel Services	290,400.00	146,250.00
Maintenance and Other Operating Expenses	813,565.00	654,599.25
Capital Outlay	446,035.00	296,796.42
Total Current Legislative Appropriations	240,809,985.22	206,455,090.77
Continuing Legislative Appropriations – General Fund	22,562,745.15	6,821,815.37
Continuing Legislative Appropriations – Special Educ. Fund	223,518.11	7,857.58
Total Continuing Legislative Appropriations	22,786,263.26	6,829,672.95

Operational Highlights

During the year, the Municipal Government of Sindangan has successfully implemented the projects found below; however, due to time constraint could not be validated:

1. Improvement of New Public Market;
2. Rehabilitation/Improvement of Slaughterhouse;
3. Repair of Provincial Road (Road going to Barangay Calatunan);
4. Road Reblocking at Mabini Street;
5. Construction of Niches, Phase IV;
6. Construction of Box Culver at Rizal Avenue;
7. Construction of Drainage Canal at Rizal Avenue;
8. Construction of Box Culvert at Bantayan; and
9. Construction of Open Drainage;

Independent Auditor's Report

We rendered a qualified opinion on the fairness of the presentation of the financial statements. The following significant observations and recommendations are the bases of our opinion:

1. The Municipality failed to transfer 25% or ₱27,558,769.40 of its infrastructure assets 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.

We recommended that management effect the transfer of its public infrastructure accounts to the books of accounts of the LGU pursuant to the Philippine Public Sector Accounting Standards (PPSAS) and COA Circular No. 2016-004 dated September 30, 2016.

We also recommended that the Local Chief Executive direct the following department heads for compliance with the requirements of 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 Cards (*Annex D of the Circular*), respectively.
 2. Support the JV with the Registry of Public Infrastructures for Roads, working paper on the distribution of costs for the road components, and working paper on the determination of the depreciated replacement cost for the 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**
 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 with the complete description and cost segregation of road components for road projects.

Summary of Significant Observations and Recommendations

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

1. Various payables without specific payees totaling ₱1,227,396.00 were accrued and booked at year-end.

We recommended that the submission of the Purchase Orders, Contracts, or Delivery Receipts of the above-mentioned transactions be required to establish the perfection of contracts and establish the validity of the claims.

2. Financial Assistance to Non-Government Organizations/ People's Organizations (NGOs/POs) in the amount of ₱817,802.34 remained outstanding in the books of

accounts as of balance sheet date, contrary to the prescribed guidelines under COA Circular No. 2007-001 dated October 25, 2017.

We recommended that in the grant of financial assistance to NGOs/Pos management shall strictly adhere to the guidelines in the granting, utilization and accounting of government funds embodied in COA Circular No. 2007-001 dated October 25, 2007 to ensure transparency and accountability of government transactions.

It was also recommended that unreliable account balances due to unsupported/ undocumented dormant accounts which have long been outstanding be written-off following the guidelines and procedures provided in COA Circular No. 2016-005 dated December 19, 2016 so as to arrive at a fair presentation of accounts in the financial statements.

3. The slow implementation of BUB Projects was attributed to the flawed policies and procedures of the Bids and Awards Committee (BAC) in handling the procurement process and suppliers' competence and commitment to deliver, resulting to delayed opportunities/ benefits for potential beneficiaries.

We recommended that Management adopt the following measures to improve the LGU's efficiency and effectiveness in the implementation of its BUB projects:

- **The BAC should fast-track the procurement process in consonance with the earliest mandated time prescribed under the IRR of RA 9184.**
- **The BUB Focal person should follow-up with offices where the BUB transaction passes for the speedy implementation of projects.**
- **Poverty Alleviation Projects must be given utmost priority in the procurement to the implementation of BUB projects.**
- **Impose sanctions/ penalties on suppliers who cannot comply with the terms of delivery and only those who are eligible and qualified are allowed to participate. Likewise, post-qualification must be conducted prior to awarding.**
- **Continuous follow-up with participating agencies on the status of funding requests for speedy implementation of projects.**

4. The efficiency of implementing various programs and projects for calendar year 2016 funded under the current and continuing appropriations of the 20% development fund amounting to ₱40,703,742.60 and ₱16,587,252.28, respectively, is doubtful due to inadequate planning, execution and monitoring.

We recommended that the ICO-Municipal Engineer, Municipal Planning Development Officer (MPDO) and Municipal Budget Officer (MBO) judiciously plan and prepare the Annual Investment Program (AIP). The schedule of implementation should be properly indicated to serve as to when the project will be

started and the timeline for which it has to be completed. Also, the ICO-Municipal Engineer and MPDO see to it that the execution of these identified projects under the 20% development fund is in accordance with the given timeline embodied in the AIP, and the proper monitoring of the same.

We also recommended that Management should consider the implementation of projects by contract so as to avoid delay in the execution of the projects of the LGU for the attainment of the objectives in uplifting and improving the living conditions of their constituents.

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:

Particulars	Beginning Balance 01.01.2016	This Period January 1, 2016 to December 31, 2016		Ending Balance 12.31.2016
		NS/ND/NC	NSSDC	
Notice of Suspension	-	227,388.26	107,987.50	119,400.76
Notice of Disallowance	-	-		-
Notice of Charge	-			-
Total	-	227,388.26	107,987.50	119,400.76

Status of Implementation of Prior Years' Audit Recommendations

Out of the thirty-three (33) recommendations embodied in CY 2015 and the prior years' Annual Audit Reports (AARs), twelve (12) were fully implemented, eight (8) were partially implemented and thirteen (13) are yet to be implemented by the agency.

Moreover, all the three (3) recommendations stated in the 2015 Citizen Participatory Audit (CPA) Report are also not implemented by the agency.