

## EXECUTIVE SUMMARY

### A. INTRODUCTION

#### The Agency

The Municipality of Ipil was created by virtue of the Executive Order (EO) No. 249 by the late President Elpidio Quirino on July 26, 1949. It is a first class municipality of the Province of Zamboanga Sibugay. It is located in the northwestern section of the province along the south coast of the Zamboanga Peninsula. The municipality has 28 barangays distributed over a land area of 36,690 hectares with a population of 64,939 based on the 2010 census.

#### 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 financial and compliance audit was conducted on the accounts and operations of the Municipal Government of Ipil, Zamboanga Sibugay, for the year ended December 31, 2016. The audit consisted of review of operating procedures, post audit of transactions, inspection of projects, interview of concerned government officials and employees, verification, reconciliation, and analysis of accounts and such other procedures considered necessary in the conduct of the audit.

### B. HIGHLIGHTS OF FINANCIAL OPERATIONS

The autonomy that the Municipality of Ipil enjoys in the management of its resources by virtue of RA 7160 has given more room in programming its priorities and the opportunity to generate additional revenues.

During the year, the actual income of the municipality amounted to P213,819,064.11, while expenses totaled P174,105,958.28, leaving a net income of P39,713,105.33.

SOURCES OF INCOME	2016	2015	Variance
Gross Income	P 213,819,064.11	P195,043,774.74	18,775,289.37
Expenses	174,105,958.28	153,830,417.55	(20,275,540.73)
<b>Net Income</b>	<b>39,713,105.83</b>	<b>41,213,357.19</b>	<b>(1,500,251.36)</b>

<b>ACCOUNT DESCRIPTION</b>	<b>2016</b>	<b>2015</b>	<b>Variance</b>
Total Assets	P 798,464,331.14	P 699,527,858.71	98,936,472.43
Total Liabilities	153,175,884.85	178,462,499.50	(25,286,614.65)
Government Equity, End	<b>645,288,446.33</b>	<b>521,065,359.21</b>	<b>142,223,087.12</b>

On the other hand, of the total appropriation during the year amounting to P245,405,866.67 obligations incurred amounted to P 113,758,858.47 leaving an unobligated balance of P61,647,008.20 as stated in the table as follows:

	<b>APPROPRIATIONS</b>	<b>ALLOTMENT</b>	<b>OBLIGATIONS</b>	<b>BALANCES Appropriations</b>
<b>Current Year Appropriation</b>				
Personal Services	79,858,944.09	79,364,997.22	8,242,078.86	1,616,865.23
MOOE	111,807,967.45	94,764,838.55	79,117,290.03	32,690,677.42
Capital Outlay	43,919,115.52	36,424,867.13	19,207,475.19	24,711,640.33
Financial Expenses	6,259,341.84	4,742,611.21	4,701,561.65	1,557,780.19
Financial Expense	3,560,497.77	3,560,497.77	2,490,452.74	1,070,045.03
<b>GRAND TOTAL</b>	<b>245,405,866.67</b>	<b>218,857,811.88</b>	<b>113,758,858.47</b>	<b>61,647,008.20</b>

### **C. AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

The Auditor rendered a qualified opinion on the fairness and accuracy of the presentation of the financial statements of the Municipality of Ipil, Zamboanga Sibugay Province as of December 31, 2016, due to the following:

- Cash advances granted amounting to P9,966,407.90 remained un-liquidated as of December 31, 2016 out of which P 2,271,470.40 or 54% granted to 62 officers/employees have been outstanding for five years already due to the non-liquidation of these cash advances in violation of Sec. 89 of PD No. 1445 and COA Cir. No. 97-002;
- Continued failure to conduct physical inventory of its Property, Plant and Equipment (PPE) accounts amounting to P 534,210,818.22;
- Failure to drop from the books the cost of disposed unserviceable PPE amounting to P5,963,336.64.

### **D. SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS**

**1. Granting of cash advance for the payment of Excavation (Dozing of Garbage) LGU Landfill amounting to P 81,584.00 runs contrary with Section 9 and 10 of COA Circular 92-382 and COA Circular 90-331.**

We recommend that management to stop the practice of paying similar transaction and obligation which is not in accordance to the above cited Circular.

**2. Statement of Financial Performance for Trust Fund were not prepared contrary to Paragraphs 21 of PPSAS 1.**

We recommend that the Municipal Accountant should strictly observe the guidelines on the preparation and presentation of the Financial Statements specifically on the submission of a complete sets of financial statements.

**3. Disclosures of information in the Notes to Financial Statements were not adequately provided contrary to paragraph 127 of the Philippine Public Sector Accounting Standards (PPSAS) No. 1.**

We recommend that the Local Chief Executive to direct the Municipal Accountant to strictly observe the rules and regulations on the preparation of the financial statements. Also, the Municipal Accountant and the Municipal Budget Officer to reconcile monthly their respective records to avoid the accumulation of the reconciling items and to facilitate the reconciliation of their balances.

**4. The Accounting Unit continued to incur delay in the submission of Disbursement Vouchers and Reports of Check Issued including its supporting documents to the Audit Team.**

We recommend that management to instruct the concerned officials to submit the paid disbursement vouchers including the supporting documents to the audit team for examination and verification in compliance with the above cited regulation.

**5. Non- submission of copies of contracts and purchase orders to the Office of the Auditor for review within (5) days upon perfection thereof and non-notification of deliveries within 24 hours upon acceptance and delivery precluded the Auditor from the conduct of timely review and inspection of delivered items.**

We recommend that the management to observe the following:

1. Submission of contracts, purchase order, loan agreements and other agreements entered into by the LGU to the auditor within five (5) days upon perfection thereof pursuant to Section 6.6 of COA Circulars No. 2009-001 and COA Circular No. 2009-002; and
2. Notify the auditor of deliveries of goods and services procured by the agency within twenty four (24) hours after acceptance pursuant to Section 6.9 of COA Circular No. 2009-002.

**6. Disbursement Vouchers for first salary claims and payrolls were processed even without complete supporting documents necessary to prove the validity and legality of the claim in violation to Section 4 of PD 1445 and COA Circular 2012-001 dated June 14, 2012 resulting to suspension and/or disallowance of the subject claims.**

We advise the Municipal Accountant to examine the completeness of the supporting documents for every transactions of the Municipality before approving the same. If there are claims submitted to the Accounting Office for processing, but lacks the required supporting documents, it shall be returned to the claimant for proper documentation.

**7. The Agency's biometric system to monitor the time in and out and attendance of employees did not provide a machine-generated Daily Time Record (DTR) to support the paid payrolls thereby, defeating the purpose/objective of the system.**

We recommend that the Municipal Mayor to implement the use of the biometric system in monitoring the time ins and outs and attendance of the employees to achieve the intended purpose of the system.

The machine generated DTRs to form part of the supporting/documents of the payroll.

**8. Registries were not maintained by the Municipal Accountant as prescribed in Section 4, paragraph (h) Volume I, COA Circular No. 2002-003 dated June 20, 2002 thus figures for Appropriation, Allotments, and Obligation cannot be validated.**

Advise the Municipal Accountant to maintain the registries as follows:

- a. Registry of Appropriations, Allotments and Obligations, Capital Outlays (RAAOCO).
- b. Registry of Appropriations, Allotments and Obligations Maintenance and Other Operating Expenses (RAAOMO).
- c. Registry of Appropriations and Obligations Personal Services (RAAOPS).
- d. Registry of Appropriations, Allotments and Obligations Financial Expenses (RAAOFE).

The format of these forms can be referred to in Annexes 13, 14, 15, 15 Volume II of the NGAS manual. At the back of these forms are instructions on how it shall be accomplished.

**9. Validity, propriety and legality of transactions charged to Other Maintenance and Operating Expenses (OMOE) in the total amount of P14,694,136.76 are doubtful since they includes other items of expenses like Honorarium, financial assistance and Incentives in violation to sound management and fiscal administration laws, rules and regulations and the generally accepted accounting principles and practices.**

Require the personnel concerned in the Accounting and Budget to use the proper account codes are prescribed in the Philippine Public Sector Standards on Auditing (PPSSAs) ' Revised Charts of Accounts to have a fair presentation of accounts.

As in-charge of the keeping of the books accounts the accounting personnel should update themselves with (PPSSAs) and faithfully adhere to its implementation to ensure correct and accurate financial reports and to avoid possible suspension/s and or disallowance/s in audit.

**10. The Municipality failed to implement the mechanisms and processes of Joint Circular 2013-1 PCW/DILG/DBM/NEDA - Magna Carta for Women (MCW)**

We recommend that the LGU officers and employees conduct gender analysis and assessment in accordance with the PCW/DILG/DBM/NEDA Joint Circular No. 2013-1 in order to formulate policies and plans which can address the relevant gender issues in the

locality and mainstream the programs, projects and activities that could solve the issues identified to attain gender equality.

**12. The Municipality incurred delay in the submission of the Monthly Report of Official Travels and the Monthly Report of Fuel Consumptions to the Audit Team contrary to the provisions of COA Circular No. 77-61 dated September 26, 1977 thus, precluded the auditor from validating and evaluating official travels and reasonableness of fuel consumption.**

We recommend that official drivers of the Local Government and other concerned personnel to prepare and submit the Monthly Report of Official Travel and the Monthly Report of Fuel Consumption pursuant to COA Circular No. 77-61 dated September 26, 1977. The Monthly reports will be the summary of trips per vehicles in chronological order of the serially numbered Driver's Trip Tickets.

**E. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)**

The Status of issued Notice of Suspensions (NS), Notice of Disallowances (ND) and Notice of Charges (NC) is summarized hereunder:

	<b>Beginning Balance (As of Jan. 1, 2016)</b>	<b>Issued this period (Jan.1 - Dec. 31, 2016)</b>	<b>Settled this period (Jan.1- Dec. 31, 2016)</b>	<b>Ending balance (As of Dec. 31, 2016)</b>
Notice of Suspensions	P 220,638.42	144,170.97	102,876.47	261,932.92
Notice of Disallowances	14,859.00	1,179,143.55	908,218.12	285,784.43
Notice of Charges	-	-	-	-
<b>Total</b>	<b>P 235,497.42</b>	<b>P 1,323,314.52</b>	<b>P 1,011,094.59</b>	<b>P 547,717.35</b>

**F. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

The status of implementation of Prior Year's Audit Recommendation is summarized in the table below:

<b>Status of Implementation</b>	<b>No. of Recommendation</b>	<b>Percentage to Total</b>
Fully Implemented	13	31%
Partially Implemented	23	53%
Not Implemented	6	14%
<b>Total</b>	<b>42</b>	<b>100%</b>

The details are presented in Part III of this report.