

# **EXECUTIVE SUMMARY**

## **INTRODUCTION**

### **The Agency**

The Municipality of Roseller T. Lim, of the Province of Zamboanga Sibugay was created through Batas Pambansa Bilang 183 on March 16, 1982 and starts its operation in March 12, 1983.

Roseller T. Lim is composed of 26 Barangays comprising a total land area of 48,800 hectare, bounded in the North by the Province of Zamboanga Del Norte, in the East by the Municipality of Ipil and Sibuguey bay, in the South by Busan Bay and in the Southwest by the Municipality of R.T. Lim. Its tremendous growth has reached to a 3<sup>rd</sup> class Municipality. In the survey the population growth has reaching a total of 40,440 with a total number of household of 7,549.

Roseller T. Lim envisioned to be “Prosperous, peaceful and environment friendly community. It carries its mission “To pursue and promote economic growth peace unity and balanced ecology”.

Roseller T. Lim receives recognition as a RED ORCHID AWARDEE and has obtained a total score of 90-100% for implementing a 100% Tobacco-Free Environment and following the World Health Organization’s “MPOWER” framework, awarded during the year 2014.

### **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 the Municipality of R.T. Lim, Province of Zamboanga Sibugay for 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, 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 audits on the area of revenue collection and project implementation were 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. Cash and Cash Accounts
2. Cash Advances
3. Property, Plant and Equipment
4. Revenue
5. Complete Submission of Accounts
6. Accuracy of LGU's reported accomplishments vis-à-vis major programs and projects as well as efficiency and economy in the implementation of the same.
7. Fund Transfers from National Government Agencies to LGUs.
  - a. Bottom-Up Budgeting
  - b. Governance Fund (KALSADA and LGSF)
  - c. Special Local Road Fund
8. Fund Transfers to Other LGUs.
9. Fund Transfers to Non-Government Organizations/ People Organizations.
10. Local Risk Disaster Reduction and Management.
11. Solid Waste Management / Environmental Compliance.
12. Gender and Development.
13. Special Education Funds
14. 20% Development Fund.
15. Hiring of Casuals, Job Orders, Contractual, Consultants
16. Credit Financing / Debt Servicing
17. Infrastructure Projects
18. Fiesta related expenses and revenues of LGU
19. 1% of IRA on Local Council for Protection of Children (LCPC) Program

## FINANCIAL HIGHLIGHTS

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

<b>Particular</b>	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>	<b>% Increase (Decrease)</b>
Assets	<b>286,541,594.98</b>	<b>238,055,398.15</b>	48,486,196.83	20.37%
Liabilities	<b>203,068,657.86</b>	<b>157,661,224.98</b>	45,407,432.88	28.80%
Equity	<b>83,472,937.12</b>	<b>80,394,173.17</b>	3,078,763.95	3.83%

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

<b>Particular</b>	<b><u>Appropriation</u></b>	<b><u>Allotment</u></b>	<b><u>Obligation</u></b>	<b><u>Balance of Allotment</u></b>
Personal Services	₱ 6,343,238.44	₱ 6,343,238.44	₱ 54,360,248.98	₱ 1,982,989.46
M.O.O.E	34,947,282.37	34,947,282.37	27,670,315.05	7,276,967.32
Capital Outlays	29,168,810.51	29,168,810.51	15,337,415.64	13,831,394.87
<b>TOTAL</b>	<b>₱ 120,459,331.32</b>	<b>₱ 120,459,331.32</b>	<b>₱ 97,367,979.67</b>	<b>₱23,091,351.65</b>

During the year, the LGU also received funds from the following National Government agencies:

Name of Agency	Amount
National Grid Corporation of the Philippines	50,000.00
Technical Education and Skills Development Authority	256,045.00
Department of Social Welfare and Development	3,135,000.00
Department of Environment and Natural Resources	1,083,952.00
Department of the Interior and Local Government	10,025,000.00
Bureau of Fisheries and Aquatic Resources	3,000,000.00
Department of Agriculture	8,171,648.50
Department of Labor and Employment	500,000.00

## **INDEPENDENT AUDITOR'S REPORT**

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of R.T. Lim, Zamboanga Sibugay as of December 31, 2016 due to the existence of Property, Plant and Equipment (PPE) amounting to ₱169,848,709.15 which remained doubtful due to the Municipality's failure to conduct physical inventory and to reconcile the same against the property and accounting records; stale Checks totaling ₱44,473.86 remained unadjusted in the books thus, understating the cash in bank and accounts payable account balances by the same amount as of December 31, 2016; the existence of reported inventory of supplies and materials totaling ₱534,055.14 cannot be ascertained due to the failure to follow prescribed policies in accounting for inventories and the lack of properly accomplished Report of Physical Count of Inventories; the balances of reciprocal accounts Due from Other Funds and Due to Other Funds of ₱817,250.46 and ₱38,469,854.61 respectively were not reconciled making the said balances of the accounts unreliable; submission of Disbursement Vouchers (DVs), trial balances, Reports of Checks Issued (RCI), Journal Entry Vouchers (JEVs), and supporting documents were delayed ranging from 58 to 344 days; unidentified other differences for Personnel Services, and MOOE of ₱3,424,941.12 and ₱(375,399.82), respectively in the Statement of Comparison between Budget and Actual Amounts; expenditure for Personal Services (PS) exceeded the 45% limitation by ₱13,299,794.57 in violation of Section 325 (a) of R.A. 7160; and cash Advances of ₱

4,400,992.21, net of confidential and intelligence fund, under the account Advances to Officers & Employees remained unliquidated at year end.

## **SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

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

1. Out of the ₱4,218,374.22 and ₱82,234.36 under the Accounts Payable and Due to Officers and Employees accounts as of December 31, 2016, ₱506,788.37 and ₱81,232.33 respectively, remains to be unpaid/ outstanding for two (2) years and over.

We recommend that the Local Chief Executive to require the Municipal Accountant to revert the cited Accounts Payable and Due to Officers and Employees..

2. The Economic Enterprise on Waterworks Operations of the local government incurred considerable increase in operating expenses which resulted to huge losses on its operation, thus, defeating the purpose of its establishment.

We recommend that Management to revisit the viability of the Waterworks operations by conducting a thorough evaluation of the personnel complement of the economic enterprises to cut-down on expenses for personal services. Likewise, to implement fiscal discipline and austerity measures.

3. The Municipality failed to prepare and submit monthly report on the utilization of the LDRRMF, resulting in the difficulty of ascertaining the accuracy and completeness of the utilization of said fund in the amount of P5,725,354.75.

We recommend that management require the 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 15th day of the month for verification and validation on its utilization. Further, require the responsible officers to adhere to the pertinent provisions of COA No. 2012-002 on the accounting, reporting and utilization of LDRRMF.

4. Expenditures charged against the Special Education Fund (SEF) were not among those considered as priority spending under Section 272 of Republic Act 7160 and Section 1 of RA No. 5447

We recommend that the Local School Board (LSB) to refrain from charging the regular MOOE of various schools to the Special Education Fund.

5. The accuracy and reliability of the reported balances of the accounts Real Property Tax Receivables and Special Education Tax Receivables amounting to ₱166,594.09 and ₱342,502.37, respectively, are doubtful due to absence of details to account for the composition thereof.

We recommend that management create a committee composed of members from the Offices of the Municipal Treasurer, Accountant and Assessor with primary objective of retrieving prior years' documents and reconciliation of records.

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

The total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality as of December 31, 2016, are based on the Notice of Suspension (NS) Notice of Disallowance (ND) Notice of Charge (NC) issued by this Commission, as summarized hereunder:

	Beginning Balance as of December 31, 2015	Issued during the period (January 1 to December 31, 2016)	Settled during the period ( January 1 to December 31, 2016)	Ending Balance as of December 31, 2016
Notice of Suspension	₱ 0.00	₱ 37,869.55	₱ 5,000.00	₱ <b>32,869.55</b>
Notice of Disallowances	15,694.00	0.00	0.00	<b>15,694.00</b>
Notice of Charge	0.00	0.00	0.00	<b>0.00</b>
<b>TOTAL</b>	<b>₱ 15,694.00</b>	<b>₱ 37,869.55</b>	<b>₱ 5,000.00</b>	<b>₱ 48,518.55</b>

Suspension/s and/or disallowance/s issued prior to the effectivity of the new rules and regulations on Settlement of accounts under COA Circular No. 2009-006 dated September 15,2009, are not included in the reflected balance but are deemed disallowances/charges which shall continue to be enforced in accordance with these rules as provided under Section 28 hereof.

### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the nine (9) audit recommendations to correct deficiencies mentioned in the CY 2015 Annual Audit Report, seven (7) were fully implemented and only two (2) were partially implemented.

Likewise, for the CYs 2011-2014, the five (5) remaining audit recommendations were already fully implemented.