

EXECUTIVE SUMMARY

INTRODUCTION

General Agency Profile

On July 1, 1936, by virtue of Executive Order No. 37 of the late President Manuel L. Quezon, Kolambugan was declared a separate and distinct municipality of Lanao Province comprising 26 barangays with a total land area of 13455 hectares. Of the 26 barangays, 3 are urban and urbanizing areas while the bigger 23 are rural barangays.

The Municipality of Kolambugan is a 3rd class municipality, with a district hospital and a public market as an economic enterprise. Farming and fishing are the major sources of income and livelihood of the populace, with 20% of the citizens evenly distributed to employment and small scale business. The major products are rice, corn and copra.

Organizational Set-up

The newly elected officials for CY 2016-2019 were:

Mayor:	Hon. Lorenzo V. Mañigos
Vice-Mayor:	Hon. Bertrand M. Lumaque
SB Members:	Hon. Setty Deamila C. Macarambon
	Hon. Christy Ann Y. Baleña
	Hon. Rhodora P. Manubag
	Hon. Isagane J. Sotto
	Hon. Porferio C. Daraman
	Hon. Domar S. Endrina
	Hon. Arthur R. Torres
	Hon. Delino D. Sudaria
	Hon. Nathaniel D. Salvo

HIGHLIGHTS OF FINANCIAL OPERATION

The comparative financial profile of the Municipality for Calendar Year 2016 and 2015 showed the following:

	2016	2015	Increase /	% over
			(Decrease)	last year
Assets	201,710,677	178,683,043	23,027,634	13%
Liabilities	61,489,220	43,571,090	17,918,131	41%
Government Equity	140,221,457	135,111,953	5,109,503	4%
Revenue	84,014,859	76,423,673	7,591,186	10%
Expenses	78,651,404	64,199,669	14,451,735	23%
Income	5,363,455	12,224,004	(6,860,549)	(56%)

Out of the total revenue of P84,014,859, the amount P77,045,184 constituted the Internal Revenue Allotment (IRA). These were all used as intended for the operation of the Municipality's development and programs.

Moreover, the comparative appropriation/allotment/obligation for Calendar Years 2016 and 2015 showed the following:

	2016	2015	Increase /	% over
			(Decrease)	last year
Appropriation	94,434,595	72,451,936	21,982,659	30%
Allotment	94,434,595	72,451,936	21,982,659	30%
Obligation	73,792,644	61,237,628	12,555,016	21%
Allotment Balance	20,641,951	11,214,308	9,427,643	84%

SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Kolambugan, Kolambugan, Lanao del Norte for the year ended December 31, 2016. The audit focused on cash accounts, cash advances, receivables, property, plant & equipment, development fund, special education fund, procurement of goods, complete submission of accounts of the agency on a sampling basis or test of transactions and other accounts required by higher authorities.

INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements as of December 31, 2016 due to: Cash Advances of P499,597.29 as of December 31, 2016 remained unliquidated; Non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) by the Supply Officer to document the existence of PPE with a balance totaling P124,434,800.07 as of December 31, 2016. These deficiencies resulted to losses of government funds as well as misstatements of the affected accounts.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following are the other deficiencies noted, with the corresponding recommendations:

- 1. Deficiencies were noted in the preparation of the Annual Investment Program (AIP) of the Municipality of Kolambugan for CY 2016, inconsistent**

with DILG-NEDA-DBM-DOF Joint Memorandum Circular No. 1, s.2007 dated March 8, 2007.

We recommended that the management team or local finance committee prepare the Annual Investment Program (AIP) in accordance with the provisions of DILG-NEDA-DBM-DOF Joint Memorandum Circular No. 1, s.2007 dated March 8, 2007. It is also emphasized that expected outputs or results for all PPAs must be in quantified terms in order to set criteria for reconciling actual outputs, duly prepared and signed by the Local Development and Planning Officer and Budget Officer and attested by the Local Chief Executive or his duly authorized representative.

- 2. Cash Advances of P499,597.29 remained unliquidated as of December 31, 2016 due to failure of the management to adhere strictly to the provisions of Section 89 of PD 1445, COA Circular 97-002, and COA Circular No. 2012-004.**

We recommended to the Municipal Accountant the following:

- 1) Implement the “No Liquidation, No Cash Advance” policy. Discontinue the practice of granting new cash advances to disbursing officer and/or officials and employees while there are still unliquidated cash advances;*
 - 2) Inform the employees concerned to return or refund immediately to the collecting officer any cash advance which was no longer needed or had not been used for a period of two (2) months;*
 - 3) Ensure the settlement of cash advances prior to the retirement or separation of officials or employees from service;*
 - 4) Monitor closely the immediate liquidation of all cash advances;*
 - 5) Deduct on a staggered basis an appropriate and reasonable amount from the monthly salary of concerned officers and employees the unliquidated cash advances; and*
 - 6) Comply strictly with Section 89 of Presidential Decree 1445, otherwise, send demand letters to the concerned employees before filing of malversation charge of concerned accountable officer shall be enforced.*
- 3. The contracts and supporting documents for infrastructure projects with a total cost of P16.4M were not submitted to the Auditor within five (5) days from the execution/perfection in violation of Section 3.1.1 of COA Circular 2009-001 dated February 12, 2009, thus affecting the timely auditorial review and evaluation of the contracts entered into by the municipality government.**

We recommended the following:

- 1. The Procuring Entity In-Charge in every department thru the Bids and Awards Committee Secretariat should furnish the approved purchase orders/perfected*

infrastructure contracts and their supporting documents to the Audit Team for review within five (5) working days from its execution.

2. *The Local Chief Executive should direct the employees assigned in serving the Purchase Orders (POs) to require the suppliers/dealers to indicate the date of receipt for the determination of the liquidating damages which may be imposed in case of late deliveries.*
4. **The General Services Officer was not bonded inspite of being the custodian of properties in the total amount of P124,434,800.07, in violation of Section 101 (2) of Presidential Decree No. 1445 and Treasury Circular No. 02-2009. Thus, government properties were not adequately protected in case of loss thru theft or misappropriation.**

We recommended that the Local Chief Executive instruct the General Services Officer to secure Fidelity Bond from the Bureau of Treasury in accordance with Section 101 (2) of Presidential Decree No. 1445 and Treasury Circular No. 02-2009 to protect and safeguard in of government funds.

5. **Delayed submission of the disbursement vouchers with its supporting documents within the first (10) days of the ensuing month and the monthly pre-closing Trial Balances, related JEVs and SAAOB for the General Fund, Special Education Fund, and Trust Fund within the 20th day.**

We recommended that the Local Chief Executive require the Municipal Accountant to submit the monthly pre-closing TBs, DVs, and JEVs together with the SAAOB within the prescribed period to facilitate the timely performance of audit procedures necessary under the circumstances.

6. **Non-submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) by the Supply Officer to document the existence of PPE with a balance totaling P124,434,800.07 as of December 31, 2016.**

We recommended the to the Local Chief Executive to create an Inventory Committee and to require the Committee to prepare the RPCPPE and submit the same to the Office of the Municipal Accountant for reconciliation with the books of accounts and the Property, Plant and Equipment Ledger Card (PPELC).

7. **Non-submission of official accounting records to COA hampered the Audit Team in the conduct of audit activity on financial transactions of the Municipality, hence, a violation to Section Nos. 111, 112 and 121 of Presidential Decree 1445.**

We recommended the management to require the Office of the Municipal Accountant and the Office of the Municipal Treasurer to observe the following:

- a. *Submit the Report of Checks Issued (RCI) with checks presented chronologically and to include the cancelled/voided checks;*
- b. *Supply all the required data in the Liquidation Report (LR);*

- c. *Submit the Consolidated Reports of Accountability for Accountable Forms (CRAAF) monthly to COA; and*
- d. *Maintain d.) Subsidiary Ledgers (SLs) by year for the Development Fund, Disaster Risk Reduction Management Fund and the collections, remittances of the collectors to facilitate verification and monitoring of the said accounts' balances and other Subsidiary Ledgers.*

8. Expenditures totaling P227,482.30 charged against the Special Education Fund (SEF) do not fall within the primary purpose of the fund, contrary to Section 272 of Republic Act (RA) No. 7160, as implemented by the Department of Education, Cultures and Sports (DECS)-Department of Budget and Management (DBM)- Department of the Interior and Local Government (DILG) Joint Circular Nos. 01-B dated June 25, 2001, 01-A dated March 14, 2000 and 01 dated April 14, 1998, thus, defeating the purpose for which the fund was established.

We recommended that the Local Chief Executive as Chairman of the Local School Board together with the Supervisor In-Charge of the Department of Education should be well oriented and informed on the laws, rules and regulations affecting the disbursement of the Special Education Fund and how it should be utilized pursuant to Republic Act 7160 and updated existing laws issued from time to time.

9. Payment of electrical bills and water bills for the City Division Office – Department of Education in the amount of P19,694.53 for CY 2016 were charged against the SEF where the subject expenditure is not among the expenses to be charged under Section 272 of R.A. 7160 and DECS-DBM-DILG Joint Circular No. 01 s. 1998 dated April 14, 1998, as amended, thereby defeating the purposes for which the Special Education Fund (SEF) was created.

Recommendations:

- 1. *The Local School Board should be aware on the expenditures to be allowed for the Special Education Fund and the expenditures for the Maintenance and Other Operating Expenses downloaded by the Department of Education to the respective schools to avoid confusion.*
- 2. *During the budget hearing, items for expenditures should be properly scrutinized in strict adherence to Section 272 of Republic Act 7160 and Joint Circular No. 01, series of 1998 for DECS-DBM and DILG for Special Education Fund.*

10. Provisions in the Republic Act 9003 – “Ecological Solid Waste Management Act of 2000” were not implemented by the Municipality.

We recommended to the Local Chief Executive the following actions:

- a. *Preparation, submission and implementation of a plan for the safe and sanitary management of solid waste;*

- b. *Review and update every year of the plan by the Municipal Solid Waste Management Board as required by law to ensure its sustainability, relevance and effectiveness;*
- c. *Collaboration of campaigns with the barangay officials concerned;*
- d. *Strict implementation shall be continued on waste segregation, and thorough collection of waste based on set schedules; and*
- e. *Conversion of the open dumpsite into a controlled dumpsite.*

11. Twelve (12) projects under the 20% Development Fund in the total amount of P10.49M were not implemented in violation of Section 5, DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

Recommendations:

- 1. *The Local Chief Executive should see to it that all of the 20% development projects be implemented for the realization of its socio-economic and environmental development programs;*
- 2. *The Municipal Engineer should conduct regular monitoring and evaluation of the projects and at the same time responding to the causes of delays on the actual implementation. Likewise, she should make a report addressed to the Local Chief Executive;*
- 3. *The Local Chief Executive should compel all implementing units to submit monthly or quarterly to the Municipal Planning Development Office (MPDO) the status of implementation of projects assigned to them as indicated in the Annual Investment Plan; and*
- 4. *Finally, the Local Chief Executive should take immediate action in order that the constituents may immediately benefit on the said development projects.*

These observations and recommendations were discussed with the management and their comments were incorporated in this Report, where appropriate.

STATUS OF IMPLEMENTATION BY THE MUNICIPALITY OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the seven audit recommendation contained in the 2015 Annual Audit Report, two (2) were fully implemented and one (1) were partially implemented and five (5) was not implemented.

The impact of management's implementation on the audit recommendations serves as preventive measures and gives improvement opportunities on their operations. Further, some audit observations needs to be reiterated in this Annual Audit Report for CY 2016 due to materiality and its relevance. The results of the validation of the implementation of prior year's recommendations are presented in Part III of this report.