

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Padada was created by virtue of Executive Order No. 236 of the late President Elpidio Quirino. It is a third class Municipality composed of 17 barangays. Pursuant to Republic Act No. 7160, otherwise known as Local Government Code of 1991, the Municipality, like other local government units, enjoys total autonomy in managing, deciding and planning its own administrative, fiscal and developmental affairs in conformity with the national government's thrust for sustainable social and economic growth

The Municipality's total workforce under the helm of Hon. Pedro F. Caminero, Jr. and assisted by Honorable Vice Mayor Francisco L. Guerrero, Jr., numbered 247 consisting of 12 elected officials, 94 regular, 14 casual and 127 job-order personnel.

It envisioned to achieve an agri-industrialized community with empowered God-loving people, enjoying an environmental sound ecology, socialized economy and experiencing an atmosphere of participating democracy.

B. Audit Methodology

The Commission has been implementing the 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 agency.

C. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the Municipality of Padada 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.

D. Financial Highlights

The financial position and results of operation of the Municipality of Padada as of December 31, 2016, with comparative figures for CY 2015 are, as follows:

Accounts	2016	2015	Increase (Decrease)	Percentage (%)
Assets	129,793,933.36	110,127,472.56	19,666,460.08	18%
Liabilities	29,676,700.63	23,398,574.35	6,278,126.28	27%
Equity	100,117,232.73	86,728,898.21	13,388,334.52	15%
Income	98,386,975.50	85,872,592.02	6,514,383.48	7%
Expenses	75,720,391.81	67,607,647.69	8,112,744.12	12%
Net Income	16,666,583.69	18,264,944.33	1,598,360.64	9%

E. Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality for the year ended December 31, 2016, owing to the failure of the Municipality to conduct a comprehensive physical count of Property, Plant and Equipment with a net book value of P28,205,814.88 or 21.73% of the total assets amounting to P129,793,933.36 and to submit a timely Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as required by regulations, thus, casting doubts on the existence, condition, propriety and accuracy of the account balances presented in the financial statement.

F. Summary of Significant Observations and Recommendations

- 1. The disbursements of P3,051,000.00 for the cash-for-work assistance granted to the beneficiaries of the Municipality were released despite incomplete documentation inconsistent with standing rules and regulations, thus, casting doubt on the propriety and regularity of the transactions.**

We recommended that the Municipal Mayor require the accountable officer concerned to strictly comply with the implementing guidelines for the implementation of the Cash-for-Work Project, DSWD Administrative Order No. 15, series of 2008, Section 4(6)(7) of PD No. 1445 on the submission of complete documents to support payment of any claim. Also, require the MSWDO and the persons liable to rectify the discrepancies noted in the cash assistance paid.

- 2. Cash Advances granted for various purposes remained unliquidated ranging from 31 days to over 3 years which totaled P1,236,856.41 as of December 31, 2016, while additional cash advances were granted to officers and/or employees even without the liquidation of the previous advances contrary to existing regulations.**

We recommended to the Municipal Mayor to direct the OIC-Municipal Accountant to demand the immediate settlement/liquidation of outstanding cash advances. Moreover, refrain from granting additional cash advances unless previous ones are properly liquidated and accounted for. Cause the withholding of salaries for those who fail to liquidate within the time frame set by regulations.

Furthermore, adhere strictly to the rules and regulations on the granting, utilization and liquidation of cash advances provided for under Section 89 of PD No. 1445, COA Circular No. 97-002, COA Circular No. 2003-003 and other pertinent rules and regulations.

- 3. Significant delays in the submission of financial reports, accounting journals, original copies of accounting forms and supporting documents ranging from one month to eight months were incurred thereby causing undue delay in the timely post-audit/verification, analysis and evaluation of transactions and operations of the Municipality and deprived the users thereon of their basis in factual decision-making.**

We recommended that the transaction documents, financial statements and supporting schedules, the monthly Bank Reconciliation Statements and other related reports be submitted to the Audit Team within the prescribed due dates.

We also recommended that appropriate records/logbooks or transmittal documents be used or maintained by each Office for proper identification of responsible persons who caused the delay, and to establish effective internal control system and sound fiscal administration.

- 4. Financial assistance taken from the 20% Development Fund (LDF) which was granted to various Barangays in 2008 yet remained unliquidated for a significant span of time disregarding the mandated guidelines on sound management and fiscal administration.**

We recommended to the Municipal Mayor to direct the OIC-Municipal Accountant/responsible officer to coordinate with the respective Barangay officials and facilitate the immediate liquidation of the accounts in observance of sound management and fiscal administration.

- 5. Incurrence of a negative balance in the “Due to GSIS” account under the General Fund amounting to P220,116.73 as of December 31, 2016, indicates management’s inability to correct erroneous generation of transactions or record remittances relative to this account, thereby casting doubt on management’s assertion on the fairness of presentation of the financial statement which may mislead the readers/users thereof.**

We recommended to the Municipal Mayor to direct the OIC-Municipal Accountant to be more prudent in the recording of transactions.

We also recommended that the OIC-Municipal Accountant exert effort to validate the accuracy and details of the unremitted Due to GSIS from 2015 and the previous years. If warranted, immediately remit the amount to GSIS or refund to the employees if found to have been previously overcharged.

Finally, we also recommended that the Municipality provides additional control to be put in place to counter check balances generated by the system used in payroll since the system has some flaws as observed above.

G. Summary of Total Suspensions, Disallowances and Charges as of the Year End

The reported audit suspension, disallowance and charge of the Municipality of Padada as of December 31, 2016, are, as follows:

Description	Beginning Balance 12/31/2015	This Period 01/01/2016 to 12/31/2016		Ending Balance 12/31/2016
		NS/ND/NC	NSSDC	
Notice of Suspension	P 0.00	P10,192.21	P 0.00	P10,192.21
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	P 0.00	P10,192.21	P 0.00	P10,192.21

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 14 audit recommendations embodied in the prior years' Annual Audit Reports, 6 were fully implemented, 7 were partially implemented while the remaining 1 was not yet implemented.