

EXECUTIVE SUMMARY

A. Introduction

The Municipal Government of Sta. Cruz (MGS) was established in 1790. It is the biggest Municipality in the Province of Marinduque with a total land area of 287.85 square kilometers comprising the thirty percent (30%) of the land area of the Province of Marinduque. It is classified as first class municipality with fifty-five (55) barangays.

During the year, the agency improved various infrastructure projects such as construction of municipal roads, farm to market roads and improvement of waterworks system in the poblacion and barangays. In addition, the management supported national government agencies in implementation of economic and social services such as Salintubig Programs, 4Ps and Social Pension, TB DOTS Program, Philhealth Program and distribution of fingerlings and feeds to small fishermen.

A financial and compliance audit was conducted on the accounts and operations of the MGS. The audit objectives were to ascertain the propriety of disbursements, the reliability of financial reports, the adequacy of accounting records, compliance with laws, rules and regulations as well as adherence to prescribed policies and procedures. Likewise, the audit was conducted to determine whether plans, programs, projects, and activities for the year were attained in an efficient, economic and effective manner.

B. Financial Highlights

The financial position and financial performance of the MGS for CY 2015 are as follows:

	CY 2015	CY 2014	Increase/ (Decrease)
Assets	₱ 273,635,742.74	247,391,616.26	26,244,126.48
Liabilities	96,605,079.37	45,040,729.12	51,564,350.25
Government Equity	177,030,663.37	172,698,297.92	4,332,365.45
Revenue**	146,389,121.11	131,603,140.37	15,813,580.29
Expenses*	116,059,126.42	106,246,446.16	9,812,680.26
Surplus (Deficit)	31,357,594.24	25,356,694.21	6,000,900.03
Appropriations	172,040,859.07	156,188,106.99	14,787,968.64
Allotments	169,212,915.92	139,457,520.87	29,755,395.05
Obligations	129,669,524.25	120,065,272.11	9,604,252.14

* Expenses includes subsidies to NGAs, LGUs, Other Funds, Donations, transfers

** Revenue includes total revenue and transfers assistance subsidy from

Hereunder are the Comparative Statement of Funds Transfer to and from NGAs, LGUs, NGOs and POs.

	CY 2015	CY 2014	Increase/ (Decrease)	%
Funds Received from Other Agencies				
Due from NGAS	₱ 92,990.91	887,547.73	-794,556.82	-854.45%
Due from GOCCs	37,838.75	37,838.75		
Due from LGUs	4,440.40	-0-	4,440.40	100%
Due from NGOs/POs	-0-	-0-		
Total	135,270.06	925,386.48	-790,116.42	-584.10%
Fund Transferred to Other Agencies				
Due to NGAS	20,410,215.62	11,214,214.74	9,196,000.88	45.06%
Due to GOCCs	4,295.00	3,273.01	1,021.99	23.79%
Due to LGUs	1,563,071.46	1,652,257.90	-89,186.44	-5.71%
Due from NGOs/POs	-0-	-0-		
Total	₱ 21,977,582.08	12,869,745.65	9,107,836.43	41.44%

C. Audit Opinion on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Sta. Cruz, Province of Marinduque for CY 2015 due to continued failure of the management to complete the physical count of Inventories and PPE and inclusion of unserviceable property totaling ₱8,627,172.79 rendering balances of Inventories and PPE account of ₱578,611.00 and ₱110,646,469.20 unreliable.

D. Significant Observations and Recommendations

For the deficiency noted above, we recommended the Local Chief Executive to require the Inventory Committee to complete the physical count of Inventories and PPE and submit RPCPPE to the Audit Team. Moreover, direct the Disposal Committee to conduct the disposal of fully depreciated and unserviceable assets and require the GSO to strictly comply with the provisions of the MNGAS, Vol. I, on the submission of RPCPPE.

The following is the summary of other significant findings and recommendations for CY 2015:

1. The Bids and Awards Committee (BAC) failed to prepare and provide the prospective bidders with Instruction to Bidders, Bid Data Sheet, Approved Budget for the Contract and standard forms of bidding documents, prior to the conduct of bidding of various contracts totaling ₱8,163,581.30, depriving bidders of much needed information to prepare a responsive bid.

We recommended and the management agreed to require the BAC Secretariat and BAC and to issue the complete set of Philippine Bidding Documents to prospective bidders and stop the bidding process if the latter was not provided with such documents, respectively, including ABC, ITB, BDS, standard forms of bidding, securities, and related matrices.

2. The newly constructed “AA” Slaughterhouse totaling ₱9,389,636.19, funded under Trust Fund received from Department of Agriculture, remained closed for business despite issuance of certificate of acceptance in CY 2014 by the local chief executive, resulting to loss of income and waste of government property.

We recommended and the Management agreed to submit justification/basis for not operating the “AA” Slaughterhouse. Moreover, direct the Municipal Planning and Development Coordinator of the agency to revisit and study the stipulations in the contract between the National Meat Inspection Committee (NMIS) and the MGS and the possible liability of the LGU for the continued non-operation of the project.

3. The BAC failed to prepare and provide the prospective bidders with Instruction to Bidders, Bid Data Sheet, Approved Budget for the Contract and standard forms of bidding documents, prior to the conduct of bidding of various contracts totaling ₱8,163,581.30, depriving bidders of much needed information to prepare a responsive bid.

We recommended and the management agreed to require the BAC and BAC Secretariat to issue complete set of Philippine Bidding Documents to prospective bidders such as ABC, ITB, BDS, forms of securities and other standard bidding forms and matrices prior to the holding of public bidding.

4. The winning bidder of five (5) projects on Improvement/Construction of Waterworks System in various barangays totaling ₱2,499,095.04 failed to submit the complete eligibility requirements, rendering bidder as ineligible to participate in the succeeding stages of public bidding thereby affecting legality of contracts entered into by the agency.

We recommended and the Management agreed to require the BAC and the Technical Working Group (TWG) to:

- a. submit their basis for rating “Passed” the aforementioned legal, technical and financial documents submitted by the bidder despite the aforementioned deficiencies to avoid disallowance in audit.
 - b. observe Sections 23.1. (v), 25.2 (b) and 23.5.1.4 of RIRR of R.A. No. 9184 in the conduct of public bidding.
5. Claims of travelling expenses totalling ₱102,885.23 by the Sanggunian Bayan members incurred during the 2nd National Summit and General Assembly of members of PCL Credit Cooperative, a private organization registered under Cooperative Development Authority constitute irregular and unnecessary expenditures, thus may be disallowed in audit.

We recommended and the Management agreed to the following:

- a. stop the charging of traveling expenses incurred by officials while attending activities which are not supportive of their functions and mandate and are considered irregular and unnecessary; and
 - b. seek refund of ₱102,885.23 from Sanggunian Bayan members who attended the 2nd PCL National Cooperative Summit and General Assembly.
6. The BAC failed to observe legal procedures in the procurement through negotiated procurement - two failed biddings of Bangus Fingerlings and Feeds totalling ₱1,161,120.00, affecting propriety of the transaction.

We recommended and the Management agreed to require the BAC to submit the following:

- a. missing documents including Fishpond Lease Agreement (FLA) of beneficiaries of fingerlings and feeds; and
 - b. justification for awarding contract and rendering the offer of Sta. Cruz Agrivet Center as the most advantageous price for the Government despite the latter’s non-submission of technical and financial documents and BAC’s non-compliance with procedures for negotiated procurement-two failed biddings prescribed under RA No. 9184.
7. Payment of social pension totalling ₱288,000.00 directly to relatives of forty-eight (48) indigent senior citizens who were absent during the scheduled payout is not among the prescribed scheme of Department of Social Welfare and

Development in the payment of the stipend, rendering doubt on legitimacy of disbursement.

We recommended and the Management agreed to the following:

- a. Direct the Municipal Social Welfare Development Officer to locate the disabled and sick beneficiaries and determine their status and prepare separately payroll for the concerned social pensioners to facilitate liquidation of cash advances;
- b. Instruct the Municipal Treasurer and the Disbursing Officer to coordinate with the OSCA and senior citizen association in the barangay level the distribution of pension during barangay assembly to enable the beneficiaries to receive it personally. Direct them to take pictures of the activity and attach them to payroll. In case of collection of social pension by a representative of the beneficiary, require the submission of special power of attorney for him to act in behalf of the pensioner instead of simple authorization.

E. Summary of Total Suspensions, Disallowances and Charges

Particulars	Beginning Balance, 1/1/2015	Issued During the Year	Settlement During the Year	Ending Balance, 12/31/15
Various NDs	P 14,824,010.00	P -0-	P -0-	P 14,824,010.00

F. Status of Implementation of Prior Year’s Audit Recommendations

Of the twenty-six prior-year’s audit recommendation embodied in the 2014 Annual Audit Report, thirteen, (13) were fully implemented, five (5) were partially implemented and the remaining eight (8) were not implemented by the Municipality.