

EXECUTIVE SUMMARY

Introduction

The Municipality of Luisiana, Province of Laguna is classified as a fourth class Municipality and consists of 23 barangays.

Like any other local government units, it enjoys total independence in the planning, managing and deciding its own administrative, fiscal and development affairs in conformity with the national government's thrust for sustainable social and economic growth.

Locals call the town the "Little Baguio of Laguna" because of its high elevation and cool climate condition like the City of Baguio.

The organizational structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor	:	Hon. Nestor A. Rondilla
Municipal Vice-Mayor	:	Hon. Hon. Luibic R. Jacob
Members of the Sanggunian	:	Hon. Wilfredo M. Roguel Hon. Elaine E. Teope Hon. Marionette R. Rondilla Hon. Celso A. Palad Hon. Darwin L. Rondilla Hon. Reynaldo P. Balasabas Hon. Andy U. Uy Hon. Rhea A. Osinar Hon. Jaime P. Margallo Hon. Isabelita S. Rivera
Municipal Accountant	:	Ms. Judith Ann Rose O. Dayapera
Municipal Treasurer	:	Ms. Carmelita B. Magano

b. Number of Personnel Complement

Permanent	57
Casual	26
Job Order/Contractual	67
Elective Officials	12
Coterminous	<u>2</u>
Total	<u>164</u>

Audit Objectives

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Scope of Audit

Financial and compliance audits were conducted on the accounts and operations of the Municipal Government of Luisiana for Calendar Year (CY) 2019. The audit was conducted to ascertain the adequacy and reliability of the books of accounts and financial reports, fairness of the presentation of the financial statements and compliance of the Municipality with applicable laws, rules and regulations, as well as adherence to prescribed policies in handling its finances and its operations in general.

Financial Highlights

The total assets, liabilities, equity, income and expenses of the Municipality for CY 2019 are as follows:

	2019	2018	Increase/ (Decrease)
Assets	P315,334,449.83	P246,365,446.07	P68,969,003.76
Liabilities	<u>152,230,059.92</u>	<u>125,149,330.02</u>	<u>27,080,729.90</u>
Equity	<u>P163,104,389.91</u>	<u>P121,216,116.05</u>	<u>P41,888,273.86</u>
Revenue	<u>P104,195,979.83</u>	<u>P91,059,099.53</u>	<u>P13,136,880.30</u>
Expenses			
Personnel Services	45,440,086.31	40,860,737.44	4,579,348.87
MOOE	28,870,635.50	25,234,701.00	3,635,934.50
Financial Expenses	936,224.23	768,339.02	167,885.21
Non-Cash Expenses	9,419,561.18	7,765,248.32	1,654,312.86
Transfers, Assistance and Subsidy	<u>8,200,457.35</u>	<u>8,051,057.33</u>	<u>149,400.02</u>
Total Expenses	<u>92,866,964.57</u>	<u>82,680,083.11</u>	<u>10,186,881.46</u>
Surplus (Deficit)	<u>P 11,329,015.26</u>	<u>P 8,379,016.42</u>	<u>P 2,949,998.84</u>

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Luisiana due to the following:

1. The accuracy, reliability and existence of the reported balances of the Property, Plant and Equipment (PPE) accounts as of December 31, 2019 with carrying amount of P133,954,977.47, excluding the Construction in Progress account, were doubtful due to lacking information in the Report on the Physical Count of PPE (RPCPPE) with regard the existence and condition of the reported PPEs and inability of the Municipal Accountant and Municipal Treasurer to maintain complete ledger cards and property cards, respectively;
2. The Municipality was not able to comply with the reporting guidelines on the Local Roads Asset Management System, thus the desired information with regard its reported Road Networks in the financial statements of P16,466,497.96, gross of depreciation, was not fully provided; and

3. Adoption of the Perpetual Inventory Method and maintenance of ledger and stock cards were not applied by the Municipal Accountant and Municipal Treasurer/Designated General Services Officer (GSO), thus rendering the reported total balance of P825,696.22 of Inventory accounts, as well as the corresponding expense accounts, unreliable.

Significant Observations and Recommendations

For the exceptions cited above, we recommended that the Municipal Mayor direct the:

1. a. Municipal Treasurer to:
 - prepare and submit a properly accomplished RPCPPE, with complete details with regard to the whereabouts and condition of the PPEs;
 - provide property tags to all PPEs as part of internal control and for proper identification purposes;
 - ensure that all PPEs issued to end-users are supported with Acknowledgement Receipt for Equipment, which is renewable every three years or whenever there is change in accountability; and
 - prepare and maintain property cards for each PPE category and reconcile the balance with the physical inventory reported in the RPCPPE.
- b. Municipal Account to prepare and maintain PPE ledger card for each class of PPE to support the balance appearing in the general or control accounts and reconcile the same with the physical inventory reported in the RPCPPE.
2. a. General Services Officer to coordinate with the Municipal Engineer to prepare the road map of the Municipality to facilitate the proper reporting and preparation of inventory of its Road Networks, and maintain the required Local Road Network Property Card;
- b. Municipal Engineer to provide the Municipal Accountant and General Services Officer with the complete description and cost segregation of road components for road projects;
- c. Inventory Committee to prepare and submit yearly a separate Report on the Physical Count of Local Road Network; and
- d. Municipal Accountant to provide a separate disclosure of the Road Networks account in the Notes to the Financial Statement using the prescribed format and maintain the required Local Road Network Ledger Card.
3. a. Municipal Accountant to:
 - refrain from the practice of directly charging the purchase of supplies to the corresponding expense accounts, instead, use the perpetual inventory method in recording, in compliance with Section 114 of the Manual on New Government Accounting System (MNGAS) for Local Government Units (LGUs), Volume I; and

- maintain Supplies Ledger Card for each type of supplies to record all receipts and issuances, and reconcile the balance with the control accounts and physical inventory of supplies.

b. Municipal Treasurer/Designated GSO to:

- prepare and maintain stock cards for each type of supplies to record all receipts and issuances, and reconcile the same with the physical inventory reported in the Report on the Physical Count of Inventory (RPCI); and
- prepare and submit semestraly a properly accomplished RPCI.

The other significant observations and recommendations are the following:

1. Sixteen parcels of land with total fair market value of ₱20,972,452.78 were not yet transferred under the name of the Municipality to convey ownership, contrary to Section 148 of the Rules and Regulations on Supply and Property Management and Section 47(c) of the Implementing Rules and Regulations (IRR) of Local Government Code of 1991, thus exposed the subject property to third party claims and land disputes.

We recommended that the Municipal Mayor direct the Municipal Treasurer/ Designated General Services Officer to facilitate the titling of subject lots as well as the transfer of title still in process to avoid contingent claims and disputes that may arise in the future in compliance with Section 148 of COA Circular No. 92-386 and Section 47 of the IRR of the Local Government Code of 1991.

2. The Municipal Government could have generated additional income had the Real Property Tax collectibles for current and prior years that accumulated to ₱8,858,389.37 as of December 31, 2019 been collected through effective tax collection strategies and remedies provided under Sections 256 and 258 of Republic Act (RA) No. 7160.

We recommended that the Municipal Mayor direct the Municipal Treasurer to adopt measures and strategies to intensify collection of taxes and generate more income for the Municipality. Likewise, avail of the remedies and sanctions provided under RA No. 7160 to deter delay and non-payment of taxes.

3. At least five infrastructure projects costing ₱17,920,539.47 were not covered by performance securities for periods ranging from 20 to 343 days, contrary to the required period of validity prescribed under Section 39 of the 2016 Revised Implementing Rules and Regulations (RIRR) of RA No. 9184, hence there is no guaranty that the contractors will perform their responsibilities within the defects liability period, to the disadvantage of the Municipality.

We recommended that the Municipal Mayor direct the Bids and Award Committee (BAC) Secretariat to examine the validity period indicated in the performance security posted by every winning contractor in order to ensure that this complies with the requirement that it shall be valid until the end of the defects liability period since this will serve as the Municipality's guaranty that the contractor will perform his responsibilities during such period.

4. Out of the fund transfers received from the national government totalling ₱56,478,071.00, ₱29,446,057.35 or 52.14 percent were utilized by the Municipality for the implementation of four priority projects, ₱25,864,000.00 or 45.79 percent were not yet utilized since these were only received on the later part of the year and ₱1,000,000.00 or 1.77 percent remained unutilized for three years due to circumstances beyond the control of the Municipality.

We recommended that the Municipal Mayor direct the:

a) Municipal Planning and Development Coordinator to:

- ensure that the Installation of Water Supply to Schools project will be immediately implemented once the cited Ulbok Spring Development project was completed in order for the intended beneficiaries to have access to clean and potable water supply; and
- follow-up from the DepEd its response to the Municipality's proposal for the conversion of the wooden chairs to monobloc chairs.

b) Municipal Engineer to:

- consistently monitor the implementation of the Potable Water System project to ensure that it will be completed within the revised target date of completion in order for the intended beneficiaries to have access to clean and potable water supply; and
- start the implementation of the Construction of Slaughterhouse project in the ensuing year.

c) Municipal Social Welfare and Development Officer to continue providing financial assistance to qualified indigent individual or family to help these people in alleviating their financial needs.

5. The Municipality was able to optimally utilize the 20 per cent Development Fund (DF) for CY 2019, utilizing ₱17,602,676.48 or 85.46 per cent of the total appropriations of ₱20,597,196.51, hence the desired socio-economic development and environmental outcomes were substantially achieved. However, expenditures totalling ₱219,293.00 were utilized for programs and projects which could not be considered as investment or capital expenditures, contrary to Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-1, thus defeated the purpose for which the fund was established.

We recommended that the Municipal Mayor instruct the Municipal Development Council to:

- continue its commitment of optimally utilizing the 20 per cent DF and implementing the development projects in order that the desired socio-economic development and environmental outcomes will be consistently achieved; and

- refrain from utilizing the 20 per cent DF for programs and projects that do not partake the nature of investment or capital expenditure in compliance with Item 2.3 of DILG-DBM JMC No. 2017-1, instead charge such expenses against the regular maintenance and other operating expenses of the Municipality.
6. The Municipality was able to optimally utilize the 70 percent Mitigation Fund amounting to ₱3,276,027.13 of the Local Disaster Risk Reduction and Management Fund (LDRRMF), utilizing ₱3,071,498.62 or 93.76 per cent thereof, in compliance with DILG Memorandum Circular No. 2012-73, thus planned programs, projects and activities that could lessen the impacts of disasters and upgrade the Municipality's disaster preparedness and response capabilities were implemented.

We recommended that the Municipal Mayor instruct the Municipal Disaster Risk Reduction and Management Officer (MDRRMO) to continue its good practice of immediately implementing the programs, projects and activities embodied in the LDRRM Plan in order that higher level of disaster preparedness and responsiveness will be maintained and the community will be protected from disasters.

7. Expenditures totalling ₱461,728.90 were charged against the LDRRMF despite being not among the allowed chargeable expenses to the fund, contrary to National Disaster Risk Reduction and Management Council (NDRRMC), DILG, DBM and Civil Service Commission (CSC) JMC No. 2014-1. Also, no LDRRMF Investment Plan (LDRRMFIP) was prepared, contrary to Items 5.1.2 and 5.1.15 of COA Circular No. 2012-002, thus a more comprehensive plan towards disaster risk reduction and management was not developed by the Municipality.

We recommended that the Municipal Mayor instruct the Municipal DRRM Officer to:

- refrain the charging against the LDRRMF of expenses not attributable to the implementation of the DRRM programs of the Municipality in compliance with Items 4.3 and 4.4 of NDRRMC-DILG-DBM-CSC JMC No. 2014-1; and
 - prepare an annual LDRRMFIP and include under a separate caption the programs and activities that will be funded from the previous years' unexpended LDRRMF in the Special Trust Fund.
8. Of the total Gender and Development (GAD) fund of ₱4,664,763.80 for CY 2019, the Municipality was able to utilize ₱4,461,964.36 or 95.65 percent thereof, hence the envisioned GAD objectives and results were fully achieved.

We recommended that the Municipal Mayor direct the GAD Focal Point System to continue the good practice of implementing the GAD programs, projects and activities listed in the GAD Plan and Budget in order that the goal of women's empowerment and gender equality will be maintained in the locality.

9. The Municipality's Gender and Development Plan and Budget (GPB) was not submitted within the prescribed period to the Provincial Planning and Development Office (PPDO) and DILG Provincial Office, hence was not reviewed and endorsed, thereby lacks assurance whether the programs, projects and activities (PPAs) incorporated therein were gender-responsive and in alignment with the priorities of the Province, contrary to

Philippine Commission on Women (PCW), DILG, DBM, and National Economic and Development Authority (NEDA) Joint Memorandum Circular No. 2016.01.

We recommended that the Municipal Mayor direct the GAD Focal Point System to ensure that the annual GAD Plan and Budget will be submitted to the PPDO and DILG Provincial Office within the prescribed period in order that it will be reviewed and then subsequently endorsed.

The foregoing observations and recommendations were communicated to the concerned Municipal officials and employees. Management's views and comments were considered in the Report, where appropriate.

Unsettled Suspensions, Disallowances and Charges

The Municipality has an unsettled disallowance of ₱236,740.19, and no unsettled suspensions and charges as of December 31, 2019.

Status of Implementation of Prior Year's Audit Recommendation

Out of the 19 prior year's audit recommendations embodied in the CY 2018 Annual Audit Report, 11 were fully implemented, four were partially implemented and four were not implemented by the Municipality.