

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Licab, lying in the western portion of the Province of Nueva Ecija, some 37 kilometers from Cabanatuan City was officially recognized as a town in 1892. From a fifth class municipality, it was reclassified as a fourth class one effective July 29, 2008 by virtue of DOF Order No. 23-08. It has a total land area of 6,023 hectares and composed of 11 registered barangays.

This Municipality is headed by Honorable Mayor Eufemia D. Domingo whose leadership is supported by the whole Sangguniang Bayan.

Pursuant to R.A. No. 7160, Licab like other local government units enjoys total independence in managing, deciding and planning its own administrative and financial affairs in conformity with the national government's thrust of sustainable economic and social growth.

B. Scope of Audit

A financial and compliance audit were conducted using the sampling scheme on the transactions and operations of the Municipality of Licab, Nueva Ecija covering the period January 1 to December 31, 2018. The audit covered applicable areas provided in the 2018 Audit Focus and Thrust for Local Government Sector (LGS) pursuant to the unnumbered Memorandum dated July 9, 2018 of Asst. Commissioner for Local Government Sector. They were conducted to (a) ascertain the level of assurance that may be placed on the management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations. Post-audit of financial transactions was performed using the sampling scheme.

C. Financial Highlights

Comparative data show the financial condition, results of operation and the sources and application of funds of the municipal government for CYs 2017 and 2018.

Account	2018	2017	Increase/ (Decrease)
<i>Financial Condition</i>			
Assets	₱210,361,922.79	₱175,146,290.02	₱35,215,632.77
Liabilities	84,528,429.53	69,295,621.90	15,232,807.63
Equity	125,833,493.26	₱105,850,668.12	19,982,825.14

Account	2018	2017	Increase/ (Decrease)
<i>Results of Operations</i>			
Income	90,666,071.98	₱ 84,132,428.92	6,533,643.06
Expenses	<u>84,483,734.45</u>	<u>75,722,137.69</u>	<u>8,761,596.76</u>
Excess of Income over Expenses	<u>6,182,337.53</u>	<u>8,410,291.23</u>	<u>(2,227,953.70)</u>
<i>Sources and Application of Funds</i>			
Allotment	115,247,418.14	93,164,636.56	22,082,781.58
Obligation	<u>112,590,223.19</u>	<u>89,288,475.18</u>	<u>23,301,748.01</u>
Balances	₱ <u>2,657,194.95</u>	₱ <u>3,876,161.38</u>	₱(1,218,966.43)

D. Independent Auditor's Report

The Auditor rendered an unmodified opinion on the fairness of presentation of the Financial Statements for the year then ended.

E. Other Significant Observations and Recommendations

Summarized below are the other significant observations and corresponding recommendations that are discussed in detail in Part II of this report:

1. The RPT/SET collections of the province were not recorded in the books of the municipality resulting in understatement of the Net Asset/Equity account by ₱44,772.20 as at year-end and unupdated individual RPTARs, defeating sound internal control system in the recording and accounting of revenue.

We recommended and the Municipal Mayor agreed to ensure that sound internal control system in the recording and accounting of revenues is strictly adhered by directing the Acting Municipal Accountant to (a) reconcile the RPT/SET receivables and revenues/collection records with that of the Provincial Accountant by obtaining the complete descriptions of collections corresponding to the remittances made therefrom for the period CY 2016 to CY 2018; and (b) effect the necessary adjusting entries to recognize the ₱44,772.20 and other understatements caused by lack of supporting statements, to reflect the correct amount of RPT/SET Receivable and Deferred RPT/SET at year end. Relatively, we also enjoined the Municipal Treasurer to cause the postings of individual payment of the taxpayers to their respective RPTARs based on statements covered by the remittances of the Province on RPT/SET.

2. Four (4) lots of the Municipality with a total land area of 38,679 square meters recorded at ₱2,350,395.00 were still not titled in the name of the Municipality, thus assertion of ownership could not be established.

We recommended and the Local Chief Executive, the Vice Mayor and the Sanggunian concerned agreed to (a) provide appropriation/funds for the titling of the four (4) lots in the name of the Municipal Government of Licab; and (b) designate personnel/s who will undertake the titling thereof to ensure the right of ownership over the subject real properties.

3. Municipal vehicles and equipment owned by the Municipality of Licab are exposed to risk of loss whether to the immediate deterioration brought by sunlight and rains or thru theft because of lack of municipal facilities and assigned personnel that could secure the properties and prevent these hazardous elements, defeating Section 2 of Presidential Decree No. 1445.

We recommended and the Municipal Mayor agreed to cause the allotment of funds for the provision of municipal facilities and assignment of permanent personnel to secure and monitor the whereabouts and utilization of municipal vehicles and equipment pursuant to Section 2 of PD No. 1445.

4. Out of 19 (nineteen) insurable assets of the Municipality only eight (8) were insured with the General Insurance Fund (GIF) violating Republic Act No. 656, popularly known as the "Property Insurance Law" as amended by Presidential Decree No. 245 dated July 13, 1973, preventing the Municipality of full indemnification/compensation in case of damage through fortuitous events.

We recommended that the Municipal Mayor direct the Municipal Treasurer to insure all insurable assets of the Municipality of Licab to the General Insurance Fund of the GSIS to comply with Republic Act No. 656 as amended by P.D. No. 245 dated July 13, 1973.

5. Disbursements totaling ₱29,963,704.92 were paid despite lack of supporting documents, violating COA Circular No. 2012-001 popularly known as "Prescribing the Revised Guidelines and Documentary Requirements for Common Government Transactions" dated June 14, 2012 pursuant to Section 4 (6) of Presidential Decree No. 1445, casting doubts on the validity, legality and propriety of related expenditures.

We recommended that the Municipal Mayor (a) ensure the strict adherence to the provisions of COA Circular No. 2012-001 and Section 4 (6) of PD No. 1445 regarding complete documentation of claims against government funds; (b) direct the Municipal accountant to review the completeness and validity of the supporting documents of the claim before certifying the Disbursement Vouchers and allowing its payment; and (c) require the concerned Municipal Officials to submit the necessary supporting documents to prove the validity of the claim.

F. Summary of Suspensions, Disallowances and Charges

In accordance with COA Memorandum No. 2009-084 dated November 16, 2009 towards the enforcement of COA suspensions, disallowances and charges, the Statement of Audit

Suspensions, Disallowances and Charges (SASDC) issued to the Municipality revealed a balance of ₱1,540,893.00 as of January 1, 2018, while no audit suspensions, disallowances and settlement were made during CY 2018, leaving a balance of ₱1,540,893.00.

G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations

Evaluation of the actions taken by management on the 15 recommendations contained in the 2017 Annual Audit Report revealed that only seven was fully implemented, five were partially implemented and three were not implemented, thus, reiterated in Part II of this report.