

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Sto. Tomas was created from the mother municipality of Kapalong by virtue of Executive Order No. 352 dated August 14, 1959 issued by then President Carlos P. Garcia. It is composed of 19 barangays, with an aggregate land area of 32,041 hectares and an estimated population of 117,368 as of 2013. The main agricultural products are rice and banana. It is a first class municipality in terms of income as classified by the Bureau of Local Government Finance.

Total manpower complement for calendar year 2018 is 283 whose salaries and wages were charged under the appropriation for personal services, to wit:

Elected Officials	13
Permanent Employees	174
Co-terminus Employees	6
Casual Employees	90

The administration of the Local Chief Executive with the support of the members of the Sangguniang Bayan had prioritized nine (9) programs as part of the goals and objectives of the Municipality, such as the following:

1. To increase the local income of the Municipality;
2. To provide accessibility in the delivery of basic services on maternal and child health services, HIV, malaria and dengue and other social services to all constituents of the LGU;
3. To provide assistance to poor residents;
4. To give opportunities for small and medium enterprise;
5. To give scholarship to poor families and basic education;
6. To become a child friendly Municipality;
7. To upgrade school facilities;
8. To provide safe drinking water; and
9. To produce clean, wholesome, healthy and sound meat for food.

B. Audit Methodology

The Commission has been implementing 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 LGU.

C. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of the Municipality of Sto. Tomas, Province of Davao del Norte for calendar year 2018. 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; and analysis of accounts; and such other procedures considered necessary.

D. Financial Highlights

Financial Condition

Description	CY 2018	CY 2017	Increase/ (Decrease)	%
Assets	1,108,683,968.89	978,827,412.86	129,856,556.03	0.1171
Liabilities	332,398,171.38	276,686,832.82	55,711,338.56	0.1676
Equity	776,285,797.51	702,140,580.04	74,145,217.47	0.0955

For calendar year 2018, the Municipality's assets and equity increased by 11.71% and 9.55%, respectively, due to fund transfers from various National Government Agencies (NGAs) and additional procurements. Also, liabilities increased by 16.76% primarily as a result of inter-agency payables.

Results of Operation

Description	CY 2018	CY 2017	Increase/ (Decrease)	%
Income (local sources)	142,694,181.11	125,536,805.01	17,157,376.10	0.1202
IRA	239,122,575.00	222,763,092.00	16,359,483.00	0.0684
Subsidies	(6,271,868.96)	291,455.53	(6,563,324.49)	1.0464
Expenses	303,986,640.39	266,419,231.34	37,567,409.05	0.1235
Excess of Income Over Expenses	71,558,246.76	82,172,121.20	(10,613,874.44)	0.1483

The income from the local sources increased by 12.02% in view of the Municipality's collection effort. It also received 6.84% increase in the Internal Revenue Allotment (IRA). Moreover, expenditures increased by 12.35% due to the adoption of the Salary Standardization Law and other operating expenses. Accordingly, the LGU registered an increase of net income by 14.83%.

Appropriations

Description	CY 2018	CY 2017	Increase/ (Decrease)	%
Current Appropriations:				
General Fund				
Personal Services	122,343,037.87	109,895,883.27	12,447,154.60	0.10
MOOE	204,413,538.22	167,794,001.92	36,619,536.30	0.1791
Capital Outlay	116,467,604.67	98,452,561.95	18,015,042.72	0.15
Total	443,224,180.76	376,142,457.14	67,081,723.62	0.1513
SEF				
Personal Services				
MOOE	7,013,350.00	10,426,527.67	(3,413,177.67)	0.4866
Capital Outlay	14,100,511.26	2,999,000.00	11,101,511.26	0.7873

Total	21,113,861.26	13,425,527.67	7,688,333.59	0.3641
Total Current	464,338,042.02	389,567,984.81	74,770,057.21	0.1610
Continuing Appropriations:				
GF (Capital Outlay)	114,934,305.38	79,373,907.27	35,560,398.11	0.3093
SEF (Capital Outlay)	7,118,286.25	9,533,048.65	(2,414,762.40)	0.3392
Total Continuing	122,052,591.63	88,906,955.92	33,145,635.71	0.2715

The appropriations during the year amounted to P464,338,042.02 for Current Appropriations and P122,052,591.63 for Continuing Appropriations.

Expenditures

Description	CY 2018	CY 2017	Increase/ (Decrease)	%
Current Appropriations:				
General Fund				
Personal Services	112,178,248.91	104,679,809.28	7,498,439.63	0.0668
MOOE	162,712,692.00	144,808,813.43	17,903,878.57	0.1100
Capital Outlay	24,708,123.24	26,922,532.69	(2,214,409.45)	0.0896
Total	299,599,064.15	276,411,155.40	23,187,908.75	0.0773
SEF				
Personal Services				
MOOE	6,125,046.45	7,544,849.88	(1,419,803.43)	0.2318
Capital Outlay	9,747,647.30	1,467,431.16	8,280,216.14	0.8494
Total	15,872,693.75	9,012,281.04	6,860,412.71	0.4322
Total Current	315,471,757.90	285,423,436.44	30,048,321.46	0.0952
Continuing Appropriations:				
GF (Capital Outlay)	55,688,795.29	35,125,083.92	20,563,711.37	0.3692
SEF (Capital Outlay)	1,716,200.75	3,946,331.24	(2,230,130.49)	1.2994
Total Continuing	57,404,996.04	39,071,415.16	18,333,580.88	0.3193

The appropriations obligated during the year increased by 9.52% for Current Appropriations and 31.93% for the total Continuing Appropriations.

E. Auditor's Opinion on the Financial Statements

The auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements.

F. Summary of Significant Observations and Recommendations

1. The 20% share of collections in the amount of P1,233,468.82 arising from the enforcement of RA No. 9514 was not remitted to the Municipality, thereby depriving the local government to appropriate its rightful income for the operations and maintenance of local fire station and understating the revenue account in the financial statements.

We recommended that coordination with the Officials of Sto. Tomas Fire Station shall be made to demand the release of 20% share of revenues arising from the enforcement of RA No. 9514. Further, require the Sto. Tomas Fire Station to submit copies of its Monthly Report of Collections and Deposits to the Municipal Accounting Office to facilitate the monitoring and accounting of the LGU's 20% share from the Fire Code Revenues.

2. The appropriation for repairs and maintenance of roads totaling P3,152,618.40 which are not among those projects supportive of the Philippine Development Plan and Public Investment Program were charged to the 20% development fund contrary to DILG/DBM Joint Memorandum Circular No. 2017-1.

We recommended that Officials responsible in the preparation of annual appropriation refrain from allocating budget for repairs and maintenance of roads chargeable to the 20% development fund. Such program of expenditures should be properly charged against the general fund of the Municipality.

3. Seven SALINTUBIG projects totaling P22,800,000.00 remained not liquidated in the books of accounts as of December 31, 2018 resulting in the misclassification of account in the financial statement.

We recommended that management call the attention of the contractors to submit immediately the billing documents. Upon submission, concerned offices should process the documents for immediate preparation of disbursement vouchers and issuance of checks. After payment, the Accounting Office should adjust the account "Due to Other NGAs" effecting the completion of projects and liquidation of the fund transfers in the amount of P22,800,000.00.

G. Status of Audit Suspensions, Disallowances and Charges as at Year-End

As at December 31, 2018, the Statement of Audit Suspensions, Disallowances and Charges (SASDC) showed that the Audit Team had not issued audit suspensions, audit disallowances and charges. Details are shown below:

Particulars	Beginning Balance 1.01.18	This Period (Jan. 1 to Dec. 31, 2018)		Ending Balance (12.31.18)
		NS/ND/NC	NSSDC	
Notice of Suspension	P0.00	P0.00	P0.00	P0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	P0.00	P0.00	P0.00	P0.00

H. Status of Implementation of Prior Years' Audit Recommendations

Of the fourteen (14) audit recommendations in prior years' Annual Audit Reports, six (6) or 43% were fully implemented, seven (7) or 50% were partially implemented, and one (1) or 7% was not implemented.