

EXECUTIVE SUMMARY

Introduction

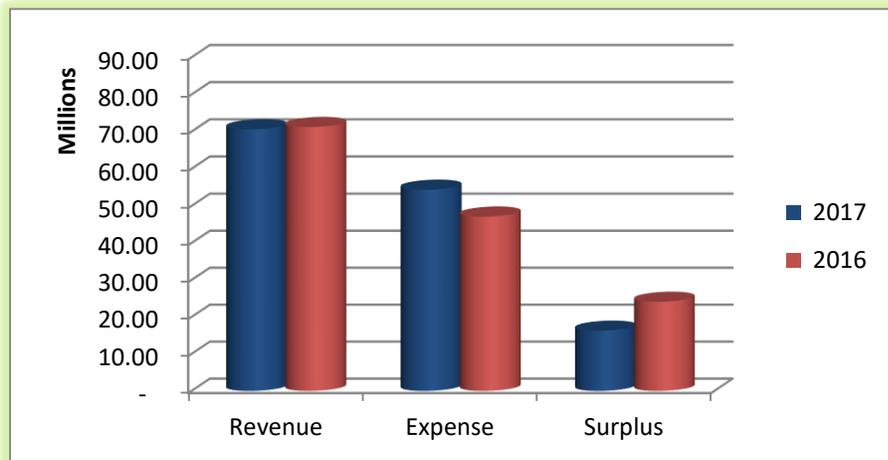
Republic Act No. 7160 or the Local Government Code of 1991 gave the Municipality of Licuan-Baay the role to serve primarily as a general purpose government for the coordination and delivery of basic, regular and direct services, and effective governance of the inhabitants within its territorial jurisdiction. In view of this, the Municipality had the mission or purpose to sustain economic growth, promote social justice, health and nutrition programs, and pursue plans and programs that will uplift the living conditions of the citizenry in the locality.

The Municipality is headed by Honorable Mayor Alejo S. Domingo and assisted by the elected Vice Mayor Chester B. Sannadan and eight (8) Sangguniang Bayan Members. It has a total of 72 personnel complement, composed of 11 elective officials, 61 permanent employees and 2 co terminus employees.

Financial Highlights

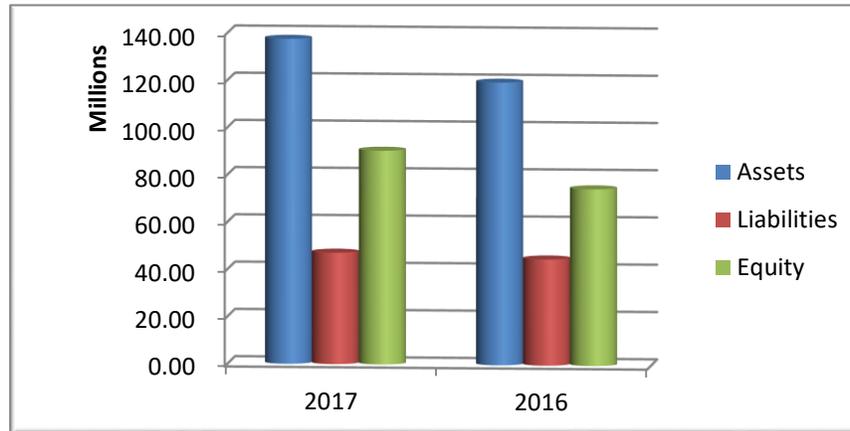
For Calendar Year 2017, the Statement of Financial Performance as graphically illustrated below showed a significant decrease in the surplus of the Municipality by ₱7.833 million as compared to the previous year's income of P24.110 million, attributable to the absence of the LGUs share from Tobacco Excise Tax.

Financial Performance



On the other hand, the Statement of Financial Position showed an increase in total assets by ₱17.787 million, increase in total liabilities by ₱2.091 million, and an increase in total equity by ₱17.787 million as compared to the previous year. The same is graphically illustrated as follows:

Financial Position



Scope of Audit

The audit covered the operations of the Municipality for the year 2017. The objectives of the audit were to ascertain the fairness and reliability of the Municipality's financial position, and financial performance; and to determine whether the plans, programs, and activities for the year were attained in an efficient, economical, and effective manner. We also conducted compliance audit to check on the legality and propriety of the transactions and compliance with applicable laws, rules and regulations.

Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following reasons:

1. The non/delayed submission of disbursement vouchers and debit memoranda totaling ₱2,837,267.30 precluded the Audit Team in verifying the accuracy and reliability of the balances of the affected accounts as presented in the Financial Statements;
2. Doubtful validity of the Statement of Comparison of Budget and Actual Amounts due to the non-preparation/non-maintenance of various budgetary reports
3. Management failed to initiate action for the collection of its receivables totaling ₱8,086,739.70. Further, some receivables remained undocumented, thereby, casting doubt as to the propriety and validity of the recorded balance of the said account in the financial statement.
4. The existence, valuation and condition of local road networks could not be ascertained due to the non-conduct/non-submission of the Report of physical count;

5. Non-disclosure of the status and whereabouts of construction materials totaling ₱1,956,251.00 which remained unissued casted doubt whether said items are valid inventory items
6. The absence of Transfer Certificates of Titles (TCT) for Land properties recorded amounting to ₱264,500.00 as well as unreconciled discrepancy of ₱301,150.00 between the balances per Financial Statement and Tax Declaration casted doubts as to the reliability and propriety of the balance of the Land Account
7. Prior years unaccounted differences of ₱450,727.45 and ₱149,338.08 were still noted between the Subsidiary Ledgers (SL) and Cashbook as against the Bank Records

Summary of Significant Audit Observations and Recommendations

The following are the other significant findings and recommendations noted in audit, which was discussed in an exit conference, and detailed in Part II of this report:

- 1. Utilization of the LGU's Share from Tobacco Excise Tax in the previous year's totaling ₱3,037,596.68 were not optimized due to infrequent monitoring of funds thereby depriving the constituents of the benefits that could be derived therein.**

We have recommended that management justify the noted lapses and that the Municipal Mayor instruct the following concerned personnel:

- The Municipal Treasurer thru the help of the Local Sanggunian to open a separate depository account solely for the receipt and utilization of the Share from Tobacco Excise Tax. Upon creation of which, the Municipal Accountant should maintain special account under the General Fund.
 - Henceforth, the concerned department head of the unimplemented projects evaluate the viability of the implementation thereof. Develop a time line thru which the projects shall be implemented.
 - Management submit documents pertaining to the lot wherein the structure was built.
- 2. Various infrastructure projects appropriated for the year totalling ₱ 4,631,459.48 and unexpended /unobligated prior years balance of the 20% Development Fund amounting to ₱1,350,000.00 or for a total of ₱5,981,459.48, remained unutilized as of year-end, thus depriving the benefits that the constituents may have gained on the programmed projects.**

We have recommended the following:

- a. The Municipal Engineer to consult the duly prepared Annual Procurement Plan (APP) for infrastructure projects, if any, since said report include the timeline for the implementation of the project. Justification as to the reason for the non-implementation should also be submitted; and
 - b. Management to revisit DILG-DBM Joint Memorandum Circular No. 2011-1, as amended, on the expenditure items covered and prohibited to be paid out of the 20% Development Fund for guidance.
- 3. Local Ordinance creating the Disaster Risk Reduction and Management (DRRM) Office including the required staffing/personnel was not enacted, vulnerability and adaptation assessment was not conducted and that provision for search and rescue equipment and stockpiles calamity victims were not properly disclosed.**

We have recommended that management justify the non-creation of LDRRM Office, non-hiring of the required staff, non-provision for the procurement of disaster preparedness equipment, non-conduct of vulnerability and adaptation assessment, as well as submit liquidation reports for stockpiles distributed to calamity stricken constituents.

Summary of Total Suspensions, Disallowances, and Charges

As of December 31, 2017, the total suspensions and disallowances amounted to ₱18,724,388.08 and ₱4,687,973.35 respectively

Status of Implementation of Prior Years' Audit Recommendations

Of the 27 audit observations with corresponding recommendations embodied in CY 2016 Annual Audit Report, six (6) were partially implemented and 21 were not implemented.