

Executive Summary

A. Introduction

The township of Tuba, formerly Twin Peaks, was created by virtue of Executive Order No. 77 on December 11, 1911 by then Governor General Cameron Forbes. Tuba was declared a regular Municipality on June 25, 1963 by President Diosdado Macapagal under Executive Order No. 42.

The Municipal Government derives its mandate from Republic Act No. 7160 or the Local Government Code of 1991. The goals of the municipality are geared towards economic and social progress. It envisions transforming the municipality into a developed and peaceful community.

As of December 31, 2017, the municipality had a total personnel complement of 167, composed of 12 elected officials, 111 permanent employees, 13 casuals, 17 contractuels, 12 job orders and 2 appointed official.

B. Financial Highlights

B.1 The total assets, liabilities and equity are as follows:

Accounts	As of December 31, 2017
Assets	₱ 433,365,794.90
Liabilities	73,003,310.03
Equity	360,362,484.87

B.2 The sources and application of funds are as follows:

Particulars	2017
Total Income	₱174,072,449.16
Personal Services	67,102,776.88
MOOE	50,070,848.53
Financial Expenses	4,550.00
Subsidies/Donations	7,188,438.86
Total Expenses	124,366,614.27
Excess of Income over Expenses	₱ 49,705,834.89

B.3 For fiscal year 2017, total appropriations amounted to ₱283,610,033.99 which is 6 percent higher than the 2016 budget of ₱266,696,813.70. This amount consists of current year appropriations of ₱232,174,453.85 and continuing appropriations of ₱51,435,580.14. Total obligations amounted to ₱142,566,788.75, leaving an unobligated balance of ₱141,043,245.24.

C. Operational Highlights

The municipality implemented various projects under the following fund sources:

Fund Source	# of Projects	Total Project Cost
General Fund	30	₱ 16,945,228.45
20% Municipal Development Fund	39	17,005,832.97
Share from National Wealth	-	-
LDRRMF	1	499,000.00
Total	70	₱ 34,450,061.42

D. Scope of Audit

The audit covered the financial and performance operations of the Municipality of Tuba for calendar year 2017. It aimed to ascertain the propriety of its transactions, and the reliability and accuracy of financial reports and books of accounts. It also aimed to determine whether agency objectives were attained in relation to economy, efficiency and effectiveness.

E. Independent Auditor’s Report

A qualified opinion was rendered on the fairness of presentation of the financial statements as of December 31, 2017 of the Municipality.

F. Summary of Significant Observations and Recommendations

The following are the significant observations with their corresponding recommendations:

1. A motor vehicle – firetruck donated by the Provincial Government of Benguet costing ₱1,395,000.00 was not recorded in the books of accounts resulting in the understatement of Property, Plant and Equipment (PPE) and Government Equity accounts.

We recommended that the Municipal Accountant recognize in the books of accounts the donated motor vehicle, with the following accounting entry:

Account	Debit	Credit
Appropriate PPE account	₱ 1,395,000.00	
Due from LGUs		₱ 500,000.00
Government Equity		895,000.00

Further, we recommended that the corresponding depreciation of the motor vehicle be computed and recorded in the books of accounts.

2. Expenses for the major repair of service vehicle amounting to ₱107,000.00 were not capitalized, thus, understating the Motor Vehicles account and overstating the Repairs and Maintenance – Motor Vehicle account by the same amount contrary to Section 103, Volume III of the Manual on the New Government Accounting System.

We recommended that the Municipal Accountant prepare Journal Entry Voucher (JEV) to reflect the correct balance of the motor vehicles account with the following accounting entry:

Account	Debit	Credit
Motor Vehicle	₱107,000.00	
Prior Year's Adjustment		₱107,000.00

3. Payments made on disallowed personnel benefits were erroneously lodged under Other Payables account resulting in the overstatement of payables account and understatement of the government equity account by ₱ 36,000.00.

We recommended that the Municipal Accountant prepare JEV to reflect the correct balance of the payables and government equity accounts with the following accounting entry:

Account	Debit	Credit
Other Payables	₱36,000.00	
Prior Year's Adjustment		₱36,000.00

4. Five priority programs and/or projects totaling ₱8,500,000.00 funded by the Local Government Support Fund (LGSF) for the Fiscal Years 2016 and 2017 remained unimplemented despite availability of funds, thus, depriving the constituents from availing the optimum benefits derived from the project outputs.

We recommended that the Local Development Council optimize the utilization of the LGSF through: (a) proper planning of project including timing of execution; (b) coordinated action from Municipal officials for better result; and (c) strict monitoring of project implementation to ensure accomplishment of all the projects.

5. Development and livelihood projects with an aggregate amount of ₱24,949,114.03 funded out of the Share from National Wealth (SNW) were not implemented during the year, thus the Municipality's constituents were deprived of the socio-economic benefits that could have been derived therefrom.

We recommended management to optimize the utilization of the SNW through: a) proper planning of project including timing of execution; b) coordinated action from Municipal officials for better results; and c) strict monitoring in project implementation to ensure accomplishment of the planned projects/activities.

6. Ineligible expenditures totaling ₱4,601,961.16 were charged to the 20 percent Municipal Development Fund (MDF) contrary to Department of the Interior and Local Government (DILG) – Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017; hence, considerations were not accorded to allowable development projects such as social development, economic development and environmental management.

We recommended that the municipality strictly comply with the provisions of DILG-DBM JMC No. 2017-1 in identifying programs/projects/ activities chargeable to the 20 percent MDF.

7. Loans Receivable totaling ₱1,393,239.09 remained uncollected as of December 31, 2017, thereby, restricting the turn-over and availability of funds to other qualified borrowers.

We recommended that management demand settlement of the loans in accordance with the loan agreement. We further recommended that the Municipality set up an effective monitoring system to assess the performance of the program.

8. Financial assistance for livelihood programs of various non-government organizations (NGOs)/peoples organizations (POs) totaling ₱470,000.00 aging four years and more remained unliquidated as of December 31, 2017 contrary to COA Circular No. 2007-001 dated October 25, 2007; thereby overstating the balances of the receivables and equity accounts in the financial statements.

We recommended that Management:

- a) require the immediate liquidation of the fund transfer as provided under COA Circular No. 2007-001; and
- b) consider sending representatives to the concerned NGOs/POs to enforce the submission of liquidation reports.

G. Settlement of Accounts

As of December 31, 2017, the unsettled suspensions, disallowances and charges as reflected in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) are as follows:

Particulars	SASDC (COA Circ. 2009-006)	CSB (Prior to COA Circ. 2009-006)	Total Suspensions, Disallowances and Charges as of December 31, 2017
Suspensions	₱ 74,266.04	₱ 0.00	₱ 74,266.04
Disallowances	4,482,050.86	87,375.76	4,569,426.62
Charges	0.00	0.00	0.00

H. Status of Implementation of Prior Years' Audit Recommendations

Out of the 37 prior years' audit recommendations, 17 were fully implemented, 8 were partially implemented, and 12 were not implemented by the Municipality.