Executive Summary

A. Creation and mandate of the Municipality

The Municipality of Tublay was created under Act 48, dated November 22, 1900 issued by the First Philippine Commission during the American military occupation together with other local civil governments in the 19 townships of Benguet Province. At present, Tublay is one of the 13 municipalities comprising the Province of Benguet.

The municipal government derives its mandate from Republic Act No. 7160 or the Local Government Code of 1991. It is manned by 48 regular employees, 12 elective officials, 2 co-terminus, 29 job orders and 1 IP representative, 1 ABC president or a total of 93 personnel as of December 31, 2017.

Management is guided by its vision of providing a better quality of life for the people through sound environment, developed culture-based tourism and sustainable agricultural system.

B. Highlights of Financial Operations

For Calendar Year (CY) 2017, an amount of about ₱90.04 million was budgeted under the General Fund which is 32 percent higher than the 2016 budget of ₱68.23 million. Consolidated revenues and receipts for the year amounted to ₱75.01 million. The bulk of receipts come from the share from national taxes in the form of Internal Revenue Allocation totaling ₱67.77 million or 90 percent of total revenues. The balance of ₱7.24 million or 10 percent is sourced from local taxes such as real property taxes, business taxes, regulatory fees, service charges, other local fees and other receipts.

Expenditures for the year amounted to ₱52.62 million or 70 percent of total revenues, leaving unexpended receipts of ₱22.39 million or 30 percent for the year ended December 31, 2017.

The financial position as of December 2017 is summarized in the following table:

Particulars	2017
Assets	₱119,284,521.27
Liabilities	32,452,027.75
Equity	86,832,493.52

A summary of the sources and application of funds for CY 2017 is shown below:

Particulars	Amount
Total Income	**₱ 75,011,751.59**
Personal Services	30,551,526.67
Maintenance and Other Operating Expenses	15,940,898.82
Non-Cash Expenses	5,078,709.95
Subsidies/Donations	1,050,000.00
Total Expenses	**52,621,135.44**
Excess of Income over Expenses	**₱ 22,390,616.15**

C. Operational Highlights

During the year, the municipality implemented various projects under the Municipal Development Fund as follows:

Particulars	No. of Projects	Total Project Cost
Completed	25	₱ 6,463,045.49
On-going	23	3,203,620.26
Total		**₱9,666,665.75**

D. Scope of the Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipal Government of Tublay for the year ended December 31, 2017. The audit was aimed at ascertaining the propriety of financial transactions, fairness of presentation of financial statements and compliance with prescribed rules and regulations. It also aimed to determine whether financial resources were managed with efficiency and economy.

E. Opinion in the Independent Auditor's Report

An unqualified opinion was rendered on the fairness of presentation of the financial statements as of December 31, 2017 of the Municipality of Tublay.

F. Summary of Other Significant Observations and Recommendations

The following are the significant observations with the corresponding recommendations:

1. The out of town three-day seminar on updating of the Municipal Disaster Risk Reduction and Management (MDRRM) plan costing ₱281,650.00 deviated from the provisions of Memorandum Circular No. 2011-59 dated April 25, 2011, resulting in a possible unnecessary expenditure as defined in Section 6 of COA Circular No. 2012-003 dated October 29, 2012.

   We recommended management the following:

   a. Submit documents such as attendance sheet, details of expenses charged by the travel agency, official receipt on the usage of hired van and completion report on the seminar to further justify the necessity of the disbursement;

   b. Conduct a need assessment to determine training/seminar to be attended, and the participants to each training/seminar shall be limited to those whose functions are relevant to the said training/seminar; and

   c. Delimit the attendance to trainings, seminars, workshops or similar activities funded out of public funds, especially those held in places outside of their official stations or territorial jurisdictions to consider the prudent use of government resources.

2. The identified programs, projects and activities (PPAs) in the municipality's Disaster Risk Reduction and Management (MDRRM) Plan were not parallel with accomplished Disaster Risk Reduction Management (DRRM) PPAs as of year-end indicating inefficient implementation of the DRRM initiatives contrary to Joint Memorandum Circular No. 2013-1 dated March 25, 2013.

   We recommended the Municipal Disaster Risk Reduction and Management Council (MDRRMC) to make use of the duly approved Disaster Risk Reduction Management (DRRM) Plan for proper and efficient utilization of the Local Disaster Risk Reduction Management Fund (LDRRMF**)** and to ensure the accomplishment of the PPAs therein, otherwise transfer the unexpended LDRRMF to a special trust fund account solely for the purpose of supporting disaster risk reduction and management activities of the MDRRMC within the next five years.

   We also recommended management that for the ensuing year's DRRM Fund, the MDRRMC submit the annual MDRRM plan to the Sangguniang Bayan before the budget preparation to ensure that PPAs implemented are those identified in the plan.

3. The municipality's unexpended balances of the LDRRMF aggregating ₱1,978,295.96 remained in the books of the General Fund due to the failure of the Municipal Accountant to transfer the amount to its Trust Fund account, contrary to COA Circular No. 2012-002 dated September 12, 2012; hence, funds to support disaster risk management activities were not assured.

We recommended the Municipal Accountant to transfer the unexpended balance of ₱1,978,295.96 from the General Fund account to the Trust Fund account and thereafter make the transfers of unexpended balances every end of the year to ensure that funds are available in case of calamities.

4. The Monthly Report on Sources and Utilization of Report on Sources and Utilization of Disaster Risk Reduction Management Fund (DRRMF) was not submitted to the Audit Team contrary to COA Circular No. 2012-002 dated September 12, 2012; thus, the efficient utilization of the fund could not be established outright.

   We recommended management to submit the Report on Sources and Utilization of DRRMF on a monthly basis to the Audit Team in compliance with COA Circular No. 2012-002.

5. The reimbursement for the procurement of communication expenses through a cash advance of the Municipal Treasurer is not in consonance with COA Circular No. 97-002 dated February 10, 1997.

   We recommended management to refrain from disbursing reimbursement of communication expenses to its officials and employees through cash advance in accordance to the provisions of Section 3 of COA Circular No. 97-002.

6. Claims for reimbursement of communication expenses of official and employees were not supported with expense receipts contrary to Section 61 of Presidential Decree No. 1445, hence, the validity and propriety of the disbursements could not be ascertained.

   We recommended management to:

   a. Submit supporting expense receipts for claims of reimbursement for communication expenses for CY 2017; and

   b. Consider availing of mobile communication post-paid plans to have a documentary trail of communication costs incurred by each official entitled to reimbursement of communication expense.

7. The Municipality disbursed the amount of ₱411,996.50 for the procurement of medicines and medical supplies out of the Philhealth's Per Family Payment (PPFP) without the proper certification as to conformity with the essential drug list in the Philippines National Drug Formulary required under Executive Order (EO) No. 49, thereby, disregarding the required assurance of potency of the medicines.

We recommended management to direct the requisitioning officers for the procurement of medicines to adhere with the provisions of EO No. 49 to ensure delivery of effective medicines to the constituents of the Municipality.

8. Medical supplies, drugs and medicines procured from PPFP amounting to ₱411,996.50 were not recorded as inventory accounts contrary to COA Circular 2015-009 dated December 1, 2015, thereby, the Municipality's assertion on completeness of the financial statements is not satisfied.

   We recommended the Municipal Accountant to record medical supplies, drugs and medicines purchased for operations as inventory accounts and to credit the same for issuance to end-users, transfers or other disposal using the appropriate accounts provided in COA Circular No. 2015-009.

9. The Cash in Bank – Local Currency Current Account should have been fully presented had adjustments been drawn on reconciling items in the bank reconciliation statement as of December 31, 2017 that prevented its misstatement in the amount of ₱23,537.08 in the financial statements.

   We recommended the Municipal Accountant to make the necessary adjusting journal entries and fairly present the cash account in the financial statements.

10. The late release of the shares of barangays from real property tax (RPT) collections is not in consonance with the provisions of Section 271 of Republic Act No. 7160 or the Local Government Code (LGC) of the Philippines, thereby, depriving the barangays from the early use thereof for their programmed activities and projects.

    We recommended the Municipal Treasury Office to release the shares of the barangays from RPT collections within five days after the end of each quarter pursuant to Section 271 (d) of the LCG to afford the barangays timely implementation of their programs and projects.

11. The year-end trial balances and financial reports of the municipality were not submitted on time contrary of Section 41(2) of Presidential Decree (P.D.) No. 1445, resulting in delayed verification on the reliability of account balances in the book of accounts.

    We recommended the Municipal Accountant to keenly observe the deadline set for the submission of trial balances and other financial reports as required under Section 41(2) of P.D. No. 1445.

G. Settlement of Accounts

Reflected in the Statement of Audit Suspension, Disallowances and Charges as of December 31, 2017 in the amount of ₱ 1,222,015.59 with details as follows:

Notice of Disallowance			Settlement	Balance
No.	**Date**	**Amount**		
2017-01-101 (13)	1/4/2017	₱ 386,400.00	₱ 370,384.41	₱ 16,015.59
2017-08-02-TF(16)	8/8/2017	1,206,000.00	0.00	1,206,000.00
Total		**₱ 1,592,400.00**	**₱ 370,384.41**	**₱ 1,222,015.59**

Notice of Disallowance No. 2017-08-02-TF(16) (Tublay) dated August 8, 2017 was issued to the Municipality, holding that the purchase of Sports Utility Vehicle (SUV) costing ₱1,206,000.00 which was charged to the Philippine Health Insurance Corporation (Philhealth) Capitation Fund (PCF) is contrary to PhilHealth Circular 10 s. 2012.

An appeal for reconsideration from Municipality of Tublay was submitted to COA-CAR Legal Office on August 8, 2017.

E. Status of Implementation of Prior Years' Audit Recommendations

Of the 28 prior years' audit recommendations embodied in the 2016 Annual Audit Report, 24 were fully implemented, 3 were partially implemented and 1 was not implemented as of December 31, 2017.