

## EXECUTIVE SUMMARY

### A. Introduction

The Municipality of Paracelis became a regular municipality by virtue of Republic Act No. 34 dated June 16, 1962. It lies on the eastern part of Mountain Province and comprises 9 barangays.

The Municipality of Paracelis derives its mandate from Republic Act No. 7160 otherwise known as the Local Government Code of 1991.

As of December 31, 2017, the municipality has personnel complement of 146 composed of 11 elective officials, 2 ex-officio members, 2 co-terminus, 126 permanent and 5 casual employees.

### B. Financial Highlights

#### I. Comparative Status of Financial Condition

Particulars	2017	2016	Increase/ (Decrease)	%
Assets	183,558,998.74	158,873,998.79	24,684,999.95	15.54%
Liabilities	65,676,381.09	60,129,435.81	5,546,945.28	9.23%
Government Equity	117,882,617.65	98,744,562.98	19,138,054.67	19.38%

#### II. Comparative Sources and Application of Funds

Particulars	2017	2016	Increase/ (Decrease)	%
Appropriation	148,636,177.00	189,231,365.81	(40,595,188.81)	-21.45%
Revenue	150,160,185.29	134,598,817.54	15,561,367.75	11.56%
Expenses	128,467,347.49	109,580,219.10	18,887,128.39	17.24%

### C. Operational Highlights

#### a. Comparative Targets versus Accomplishments for the Current Year 2017

Particulars	Targets	Accomplishments	Variance
20 % MDF	29,163,435.40	3,790,000.00	25,373,435.40
SEF	585,276.74	275,142.81	310,133.93
LDRRMF	7,431,808.85	6,397,365.30	1,034,443.55

b. Comparative Accomplishments for the Current Year and Previous Year

Particulars	2017	2016	Variance
20 % MDF	3,790,000.00	9,894,894.19	(6,104,894.19)
SEF	275,142.81	79,260.00	195,882.81
LDRRMF	6,397,365.30	3,079,790.50	3,317,574.80
<b>Total</b>	<b>10,462,508.11</b>	<b>13,053,944.69</b>	<b>(2,591,436.58)</b>

**D. Scope of Audit**

A financial and compliance audit was conducted on the operations of the Municipality of Paracelis for the calendar year 2017 to ascertain the propriety of its transactions, and the reliability and accuracy of financial reports and books of accounts. A value for money audit was included to determine whether the agency objectives were attained in an economical, efficient and effective manner.

**E. Independent Auditor's Report on the Financial Statements**

An unqualified opinion was rendered on the fairness of the presentation of the financial statements.

**F. Summary of Significant Audit Observations and Recommendations**

1. Books of accounts of business taxpayers were not examined by the Local Treasurer to ascertain that correct amounts of business taxes were collected contrary to Section 171 of RA 7160.

We recommended and Management agreed that the Office of the Municipal Treasurer examine the books of accounts of business taxpayers in compliance with Section 171 of RA 7160.

2. Expenses not related to development projects amounting to ₱540,415.67 were charged to the Municipal Development Fund contrary to the DILG - DBM Joint Memorandum Circular (JMC) No. 2017-1.

We recommended and Management agreed to utilize the Municipal Development Fund pursuant to DILG-DBM JMC No. 2017-1.

3. Expenses not directly related to disaster preparedness, prevention and mitigation activities totaling ₱398,743.09 were charged to the Municipal Disaster Risk Reduction and Management Fund contrary to COA Circular 2012-002 and NDRRMC/DBM /DILG JMC No. 2013-1.

We recommended and Management agreed to limit the charges to the Disaster Risk Reduction and Management Fund to expenditures supportive of disaster risk management and activities, pursuant to item 3 of COA Circular 2012-002 and item 5 of NDRRMC/DBM/DILG JMC No. 2013-1.

4. The amount of ₱367,996.93 in Maintenance and Other Operating Expenses (MOOE) from CY 2016 was treated as continuing appropriations contrary to Section 306 (e) of RA No. 7160.

We recommended and Management agreed to refrain from including PPAs which partake the nature of MOOE as continuing appropriations pursuant to Section 306 (e) of Republic Act No. 7160.

5. SEF Budget for CY 2017 was prepared late contrary to Section 7 of Republic Act No. 5447, hence, only 47% or 24 out of the 51 identified Programs, Activities and Projects were implemented during the year.

We recommended and Management agreed to prepare an annual SEF budget for the ensuing fiscal year not later than October 31 of the current year pursuant to DepEd-DBM-DILG JC No. 1, s. 2017.

6. The Municipality's contribution to the Pag-IBIG fund exceeded the maximum rate by ₱100/month per employee contrary to Section 7 of RA 9679.

We recommended that Management apply only the mandatory rate of ₱100.00 per employee based on 2% of the maximum monthly compensation of ₱5,000.00, pursuant to Section 7 of RA No. 9679.

7. Procurement of gasoline, supplies and vehicle spare parts totaling ₱523,093.73 were done thru reimbursement basis in the name of various officials/employees of the Municipal Government depriving the Municipality of acquiring goods at the most advantageous price.

We recommended and Management agreed to refrain from procuring gasoline, supplies, and vehicle spare parts thru reimbursements and instead adopt the alternative mode of procurement beneficial to the municipality.

8. The Municipality was not able to withhold Value-Added Tax, Percentage Tax and Income Tax amounting to ₱20,231.24 because purchases were done thru reimbursements contrary to Revenue Regulation Nos. 16-2005 and 2-98.

We recommended and Management agreed to procure gasoline, supplies, and vehicle spare parts thru reimbursements so that the corresponding withholding taxes shall be imposed to generate additional income for the government.

9. Programs, Projects and Activities from the 20% DF costing ₱44,656,343.88 were not implemented rendering them at risk of losing their relevance and responsiveness to the needs of target beneficiaries.

We recommended and Management agreed to:

- a. Evaluate the unimplemented Programs, Projects and Activities whether these are still priority concerns or had become irrelevant and to re-appropriate funds to current priority undertakings if warranted; and
  - b. Require implementing Offices to come up with strategies to fast track the implementation of development projects of the Municipality.
10. The Municipality has no GAD database which will serve as gender statistics and GAD-related information crucial for evidence-based planning and policy-making, thus gender issues and concerns identified in the GAD Plan and Budget may not actually be fully addressed.

We recommended and Management agreed to create its own GAD database and regularly update the same pursuant to regulations.

The foregoing audit observations and recommendations were discussed with management officials concerned in an exit conference held on March 15, 2018. Management's comments were incorporated in the report, where appropriate.

## **G. Status of Implementation of Prior Years' Audit Recommendations**

Out of the 15 audit recommendations embodied in the 2016 Annual Audit Report, 8 were fully implemented, 1 was partially implemented and 6 were not implemented by management.