

EXECUTIVE SUMMARY

A. Introduction

In March 1901, the Municipality of Ivana was officially established by virtue of Act 2711 otherwise known as the Revised Administrative Code of the Philippines.

The municipal Government as a Local unit is mandated and assumed to build its own capabilities for self-governance and to build and develop as a self-reliant community, which is the essence of Local Autonomy and the meaning of Devotion of Powers and Autonomy.

The Municipality's goal is to alleviate its constituents and provide social equity and attain wholesome environment to live in through the proper protection, conservation and utilization of its natural resources. It also aims to provide the basic services needed and to pursue an integrated and sustainable development for the general welfare of its people.

We envision people who are healthy; self-reliant' productive, progressive and democratic community, with an ecologically-balanced environment of pristine beauty.

B. Highlights of Financial Information

Presented below are the financial position and sources of funds, appropriations and obligations of the Municipality for the years 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Assets	52,705,716.12	P47,355,026.02
Liabilities	20,899,085.43	24,552,653.77
Government Equity	31,806,630.69	22,802,372.25
Total Income	35,568,209.61	31,160,895.41
Total Expenses	34,967,382.76	33,945,132.84
Total Appropriations	37,533,119.54	37,888,417.60
Total Obligations	33,050,613.89	33,610,195.42

C. Operational Highlights

Among the significant accomplishments of the Municipality as of December 31, 2017 were as follows:

Program/Project/Activity	Appropriation	Expenditure	Percentage of Accomplishment
Construction of 2-storey MPB (Salagao)	700,000.00	686,807.00	98%
Rehabilitation of Radiwan MPB	700,000.00	693,457.91	99%
Construction of Tuhel MPB Phase-II	300,000.00	295,420.00	98%
Construction of San Vicente MPB Slaughter House	700,000.00	696,968.00	100%
Construction of Bahay Pag-asa (DSWD)	2,500,000.00	2,460,872.35	99%
Improvement of Kadpidan Beach (Eco tourism Dev't Management of Coral Reef Ecosystem)	2,000,000.00	1,986,503.45	99%
Payaman Small Water Impounding Project (DA/BUB)	5,190,000.00	2,595,000.00	41%
Construction of 6 units R.C. Water Tank Reservoir	11,869,250.00	4,288,507.00	50%
Construction of Sapsapen MINI-DAM (DILG/BUB)	3,130,750.00	2,480,836.89	71%
Tourist waiting shed at Radiwan Port	483,732.57	301,494.33	62%
Establishment of Local Dev't Project - Ivana Tourism Development Center	500,000.00	18,260.00	10%

D. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Ivana for the period ended December 31, 2017. The audit was aimed at ascertaining the propriety of disbursements, the reliability of financial reports and the adequacy of accounting books and records. Likewise, the audit was conducted to identify the practices that require compliance with laws, rules and regulations for the purpose of recommending measures to correct them.

E. Auditor's Opinion on the Financial Statements

The auditor rendered a qualified opinion on the fairness of presentation of the financial statements for the year ended December 31, 2017 because the validity and accuracy of the balances of Property, Plant and Equipment (PPE) account as of December 31, 2017 in the books of the Municipality is unreliable due to unreconciled amount of P2,555,444.76 between the accounting records and the Report on the Physical Count of Property, Plant and Equipment and Audit Disallowances amounting to P1.2million remained unsettled thus, affecting the financial position of the agency.

F. Significant Findings and Recommendations

1. Cash advances were granted to the Municipal Treasurer for the procurement of supplies and equipment in the aggregate amount of P150,000.00 contrary to Section 2 and 3 of COA Circular No. 97-002 dated February 10, 1997 and Section 88 of PD 1445.

We recommended that the Local Chief Executive direct the OIC-Municipal Accountant and Municipal Treasurer to follow the procedures in the disbursement of funds for the acquisition of equipment. Likewise, instruct the Municipal Treasurer to pay transactions of this nature through checks for control purposes.

2. Officials and employees of the Municipality were paid monetization of earned leave credits more than once a year and lacks supporting documents in the aggregate amount totaling to P982,069.16, contrary to DBM-CSC Joint Circular No. 2-97 dated June 25, 1997 and COA Circular 2012-001 dated June 14, 2012, thus regularity, validity and propriety of the transactions could not be established.

We recommended that the Municipal officials, employees and the Municipal Accountant comply strictly with the provisions of the above mentioned rules and regulations for proper control of disbursements on government funds and to submit required supporting documents of those officials and employees who claimed more than ten (10) days as well as those claims that were 50% or more of their total earned leave credits to avoid possible issuance of Notice of Suspension that eventually would lead to the issuance of Notice of Disallowance.

3. Disbursements made for the project Construction of Bahay Pag-asa under the Bottoms-up-Budgeting Fund were not in accordance with the approved Program of Work (POW) indicating poor planning and implementation of the said project.

We recommended management to (a) follow strictly the approved Program of Work in the implementation of its projects; (b) stop the practice of procuring aggregates through labor payrolls; and (c) adhere strictly with the above cited rules and regulations.

4. Collective Negotiation Agreement (CNA) Incentives were granted to all qualified officials and employees of the Municipality amounting to P680,000.00 and P825,000.00 for CYs 2017 and 2016 respectively, even without complete supporting documents, hence regularity and validity of the disbursement were not confirmed to have complied with the conditions for the grant of CNA Incentives provided under Section 4.1 of Budget Circular No. 2017-3 dated November 16, 2017 and Presidential Decree No. 1445.

We recommended Management to (a) submit all the required documentary requirements for the accreditation and constitution of the CNA before payment of incentive as provided under Budget Circular No. 2017-3; and (b) report signed by the Local Finance Committee as basis for declaring savings for the year showing the budgeted amount, actual expenditures and balances per accounts; (c) ensure that documents are complete before transactions are processed and recorded to avoid possible issuance of notice of suspension that eventually could mature into disallowance.

5. The Municipality granted Economic Relief Assistance (ERA) to all Officials and Employees in the total amount of P850,000.00 and P495,000.00 for CYs 2017 and 2016 respectively without legal basis, hence, propriety and legality of the transaction could not be ascertained.

We recommended management to submit legal basis for granting Economic Relief Assistance. Likewise, discontinue the practice of granting allowances which do not have legal basis to avoid possible issuance of disallowances. Moreso, submit authority from the DBM and/or the Office of the President for concurrence of Resolution as to allowable amount entitled to be given to each Municipal officials and employees.

6. The validity and accuracy of the balances of Property, Plant and Equipment (PPE) account as of December 31, 2017, except land, buildings, other structures and Construction in Progress- Infrastructure assets, in the books of the Municipality is unreliable due to unreconciled amount of P2,555,444.76 between the accounting records and the Report on the Physical Count of Property, Plant and Equipment.

We recommended that the Municipal Accounting Office and the General Services Office exert all efforts to reconcile their records to determine the actual balances of the property, plant and equipment. Any discrepancies between the Report on the Physical Count of PPE and the accounting records should be investigated and adjusted accordingly and see to it that all properties

issued to its employees are covered by an updated Acknowledgement Receipt for Equipment to pinpoint accountability over the properties.

G. Status of Implementation of Prior Year's Recommendation

Of the ten (10) recommendations incorporated in the 2016 AAR three (3) were fully implemented, three (3) were partially implemented, two (2) were on going and the other two (2) were not implemented.