

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Casiguran was founded on June 13, 1609. It was created by virtue of Republic Act No. 649 dated June 14, 1951. Its territorial jurisdiction is composed of 24 barangays. It is surrounded by forest, mountains and sea. It is classified as a 2nd class municipality.

A Financial and Compliance Audit was conducted on the accounts and operations of the Municipality of Casiguran, Aurora for the year ended December 31, 2016. The objectives of the audit were to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

B. Financial Highlights

The following comparative data show the financial condition, results of operation, and sources and application of funds for the calendar years 2016 and 2015.

	2017	2016	<u>Increase/ (Decrease)</u>
Financial Position			
Assets	₱282,861,053.44	₱240,604,370.91	₱42,256,682.53
Liabilities	74,073,573.21	48,442,154.18	25,631,419.03
Government Equity	208,787,480.23	192,162,216.73	16,625,263.50
Results of Operation			
Income	₱168,228,129.44	₱151,270,146.01	₱16,957,983.43
Expenses	145,541,929.35	125,311,316.50	20,230,612.85
Surplus (Deficit) for the Period	21,883,009.49	22,978,429.51	(1,095,420.020)

C. Scope of Audit

The audit covered the financial transactions and operations of the Municipality of Casiguran, Aurora for the year ended December 31, 2017. The objectives of the audit were to (a) ascertain the degree of reliance on the management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

In compliance with the Unnumbered Memorandum dated October 12, 2017 by the Commission on Audit Assistant Commissioner for Local Government Sector (LGS) and in pursuance of COA Memorandum No. 2016-023 dated November 14, 2016, which identify the CY 2017 audit foci, we covered in audit the Cash and Cash Equivalents, Financial Liabilities, Fund Transfers (Due from/Due to NGOs/POs, NGAs, GOCCs and LGUs),

Funds Directly Released by the DBM to LGUs From the Appropriations for Local Government Support Fund (LGSF) (including BuB and Assistance to Disadvantaged Municipalities), Local Disaster Risk Reduction Management Fund, Compliance with RA 9184, Compliance and Performance Audit of 20% Development Fund, Revenue-Generating Program, Enforcement of COA Disallowances and Charges, Compliance to Tax Laws, Remittance of Mandatory Contributions (GSIS and Pag-IBIG), Compliance with Programs and Projects related to Gender and Development, and Statement of Audit Suspensions, Disallowances and Charges. Result of audit with significant observations were discussed in Part II of this Report.

D. Independent Auditor's Opinion

We rendered a qualified opinion because (1) the balances of the Property, Plant and Equipment (PPE) accounts amounting to ₱149,340,151.48 or 53% of the total assets of the Municipality as at year-end is unreliable due to (a) absence of land titles in the name of LGU-Casiguran for an undetermined number of lots with a recorded value of ₱28,816,690.06; (b) Property Cards, Property, Plant and Equipment Ledger Cards (PPELC) and Real Property Ledger Cards (RPLC) were not maintained; and (c) the Report of Physical Count of Property, Plant and Equipment (RPCPPE) was not submitted; and (2) the reported balance of Cash-in-Bank accounts of ₱84,476,280.77 as of December 31, 2017 remained unreliable due to the absence of documents to support the reconciling items of ₱3,045,692.48.

For the above mentioned deficiencies, we recommended that the Municipal Mayor (1) direct the (a) persons responsible for handling and safekeeping of records for the titling of lots to seek legal advise on how to facilitate the titling of those that have no valid documentation; (b) Municipal Accountant and Municipal Treasurer to deny payments of future lot purchases, unless titled in the name of the Municipality; and (c) OIC-GSO to (i) to maintain property cards; and (ii) prepare the RPCPPE report and submit the report to the Auditor; (d) Municipal Accountant to maintain PPELC for each category of property to contain the necessary information, and (e) OIC-GSO and Municipal Accountant to conduct periodic reconciliation of their records; and (2) instruct the (a) Municipal Accountant to exert effort to retrieve/ reproduce the necessary documents in order to identify the nature and validity of the reconciling items; and (b) Municipal Accountant and Municipal Treasurer to conduct immediate reconciliation of their records.

E. Summary of Other Significant Audit Observations and Recommendations

The other significant observations which need management action are briefly summarized as follows:

1. The grant and liquidation of cash advances were not in accordance with Section 89 of PD No. 1445 and the rules and procedures prescribed under COA Circular No. 97-002 dated February 10, 1997, which resulted in the accumulation of unliquidated balance of ₱5,702,462.87 as at year-end, hence there was delay in the recognition of asset and expense that were paid out of said cash advances and/or exposes unused balances of said advances,

if any, to loss or misuse. Moreover, prior years' cash advances amounting to ₱826,625.88 were not liquidated within the prescribed period and remained outstanding for relatively long period of time. (*Observation No. 3*)

We recommended and Management concurred that the Municipal Mayor (a) instruct the Municipal Accountant to (i) send demand letters to all personnel who had unreasonably failed to liquidate their cash advances; (ii) invoke the provision of law authorizing the holding of salary of personnel who unjustifiably fails to settle his/her cash advances within the prescribed period; (iii) refrain from granting additional cash advances to Disbursing Officers and Accountable Officers that have unliquidated cash advances; and (iv) adhere to laws and rules on the grant, utilization and liquidation of cash advance; and (b) require the persons liable for the submission of documents to support the Liquidation Reports to establish the validity of the transactions.

2. Deficiencies were noted in the payments of various infrastructure projects totaling ₱20,329,662.48 such as (a) payments were made to contractors despite lack of supporting documents as required in Section 9 of COA Circular No. 2012-001 dated June 14, 2012, thus weakened Management's claim for regularity of the said payment and exposed persons responsible therefor to liabilities in the event of disallowed payments; (b) post-qualification of bidders and evaluation of bids were not efficiently conducted thus, exposing the government to various risks such as delay in project accomplishment and/or substandard quality of work which is not in consonance with Section 34.1 of the Revised Implementing Rules and Regulations (RIRR) and Section 8.3 of Annex E of Republic Act No. 9184; and (c) liquidated damages were not collected from the claims of delinquent contractors contrary to Section 68 of the same RIRR. (*Observation No. 4*)

We recommended and Management concurred that the Municipal Mayor instruct the (a) Municipal Accountant, OIC-Municipal Engineer and Bids and Awards Committee (BAC) to submit to the audit team the originals of lacking documents, or duly certified copies thereof, if not available; (b) BAC-TWG to disqualify future bids whose key personnel and equipment were already pledged/used in other on-going projects; (c) OIC-Municipal Engineer to (i) monitor the simultaneous implementation projects by the same contractor to guard against unwarranted delays or substandard quality of work; and (ii) recommend for the imposition of LDs on the delays that were not justified; and (d) Municipal Accountant to issue order of payment for LDs determined and recommended by the OIC-Municipal Engineer.

3. Of the ₱17,375,823.83 funds available for disaster risk reduction and management programs, projects and activities (PPAs) only ₱4,387,256.68 or 25.25% was utilized during CY 2017 contrary to the provisions of the Implementing Rules and Regulations of R.A. No. 10121 and COA Circular No. 2012-002 dated September 12, 2012, thus, frustrating the objectives of the fund of ensuring readiness and appropriateness of responses in times of calamities and disasters. (*Observation No. 5*)

We recommended and Management agreed that the Municipal Mayor direct the (a) Municipal Budget Officer and Municipal Accountant to strictly adhere with the guidelines

on the utilization of the 5% DRRM Fund; (b) Municipal Disaster Risk Reduction Management Council to carefully plan the programs, project and activities to attain the utmost result and deliver the desired services to the residents of the Municipality; and (c) Human Resource and Management Officer to cause the immediate filling up of the three vacant positions in the Municipal Disaster Risk Reduction Management Office to complement the needed skills required to enable said office to operate in accordance with its mandate.

4. Procurement of drugs, medicines, medical, dental and laboratory supplies from January to July 2017 totaling to ₱1,404,450.50 were procured through shopping even though the conditions required for such procurement method were not met, which is tantamount to splitting, an action expressly prohibited under Section 54.1 and Annex H of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184. Moreover, there was no comprehensive Annual Procurement Plan that should have set the timelines for and appropriate modes of procurement, contrary to Section 7 of the same RIRR, thus resulted in inefficient and uneconomical procurements. (*Observation No. 6*)

We recommended and Management concurred that the Municipal Mayor (a) instruct the BAC to (i) subject all procurements to public bidding unless the conditions are present for the use of shopping or other alternative mode of procurement; (ii) explain the apparent splitting of procurements for drugs, medicines and laboratory and dental supplies; and (iii) henceforth stop the practice of splitting in compliance with Section 54.1 of the RIRR of RA No. 9184; and (b) direct all offices concerned and the BAC Secretariat to prepare a complete and comprehensive Annual Procurement Plan in accordance with Section 3.2 of GPPB Circular No. 01-2009 dated January 20, 2009.

5. Payment of ₱2,563,324.99 for the 1st Progress billing for the “Rehabilitation of the Existing Water Supply System” was not supported with complete documents as required under Section 9 of COA Circular No. 2012-001 dated June 14, 2012, the Revised Implementing Rules and Regulations of Republic Act No. 9184 and Section 4 of Presidential Decree (PD) No. 1445, thus, Management’s claim on the regularity of the transaction could not be ascertained. (*Observation No. 7*)

We recommended and Management concurred that the Municipal Mayor instruct the (a) Municipal Accountant, Municipal Engineer and Bids and Awards Committee to (i) submit to the Audit Team originals of lacking documents, or duly certified copies thereof, if not available; and (ii) ensure that future disbursements are supported with complete documents before effecting payments; and (b) officials concerned to henceforth provide the Audit Team copies of the approved contracts and their integral parts within five days from its signing as required by COA Circular 2009-001 dated February 12, 2009.

6. The payment of (a) other bonuses and allowances to the employees/personnel/officials of the Municipality in November and December 2017 totaling to ₱3,410,500.00; (b) bonus of Bids and Awards Committee (BAC) members in the amount of ₱300,000.00; and (c) honoraria to BAC members for the entire year in the amount of ₱273,800.00, was

made in the absence of legal basis, thus considered irregular as provided under COA Circular Nos. 2012-003 dated October 29, 2012. (*Observation No. 8*)

We recommended and Management concurred that the Municipal Mayor instruct the Department Heads concerned to (a) discontinue the practice of granting honoraria, allowances and bonuses without legal basis to local and national government employees without prejudice to the settlement of any civil liability arising from previous payments; (b) comply strictly with the provisions of Budget Circular No. 2007-3 dated November 29, 2007 in the payment of BAC honoraria; and Local Budget Circular (LBC) No. 103 dated May 15, 2013 for the payment of representation and traveling allowance; (c) stop the practice of including personal and non-prioritized deductions in the payrolls; and (d) submit the required documents for the paid payrolls on salaries, wages, honoraria and other bonuses in accordance with existing rules and regulations.

7. The Municipality did not substantially sustain its compliance with the environmental laws on preserving and protecting the environment particularly on the operation of disposal facility, thus, the total protection of the environment and general welfare of the constituents in harmony with economic development was not attained as required under Republic Act No. 9003, the Ecological Solid Waste Management Act of 2000. (*Observation No. 9*)

We recommended and Management agreed that the Municipal Mayor instruct the MENRO to (a) initiate together with Municipal Solid Waste Management Board to budget and purchase plastic melting machine to complement the shredding facility for a better alternative disposal facility; (b) post signages and information materials in public places for optimum information campaign on SWM; and (c) exhort the barangay officials concerned to ensure the proper use and maintenance of MRFs in their localities.

8. The Municipality has not institutionalized gender audit and GAD database/sex disaggregated data as inputs for GAD planning, budgeting and programming thus, the gender concerns and gaps may not have been properly identified and addressed as stated in PCW-DILG-DBM-NEDA Joint Memorandum Circular 2013-01 or Guidelines in Localization of the Magna Carta of Women. Moreover it has appropriated ₱8,433,382.00 for Gender and Development (GAD) or five percent of its total budget but the GAD Plan and Budget (GPB) was not approved by DILG Regional Office under the same guidelines. (*Observation No. 10*)

We recommended and Management concurred that the Municipal Mayor (a) instruct the Municipal Planning and Development Officer to establish the GAD database to gather information such as gender statistics and sex-disaggregated data to serve as inputs for planning, budgeting, programming and policy formulation, as reiterated in last year's audit recommendation; and (b) direct the GAD Focal Point Person to follow-up the approval of the GAD Plan and Budget from the DILG, Region III to ensure alignment of PPAs with Philippine Plan for Gender-Responsive Development (PPGD).

F. Summary of Total Suspensions and Disallowances as of December 31, 2017

As of December 31, 2017, audit suspensions of ₱7,038,736.71 and audit disallowance of ₱52,409.79 remained unsettled contrary to COA 2009 Rules and Regulations on the Settlement of Accounts (RRSA).

G. Status of Implementation of Prior Years' Unimplemented Audit Recommendations

Out of the 22 audit recommendations contained in our prior years' audit report, five or 23% were fully implemented, seven or 32% was partially implemented and 10 or 45% were not implemented as of December 31, 2017.