

## EXECUTIVE SUMMARY

### Introduction

The Municipality of Alaminos is an Agro-Industrial town that lies within the third congressional district of the Province of Laguna. Its geographical location is San Pablo City to the east, Sto. Tomas, Batangas to the west, Calauan and Calamba City to the north.

Based on the Municipal zoning, the industrial sites are located along Maharlika Highway of San Andres, San Juan, San Agustin and San Benito. Ayala Land Corporation has acquired 330 hectares of land in Barangay San Andres and San Juan and is being developed as Technopark for farm housing, industrial and commercial purposes. Agricultural crops in the town are coconut, lanzones, rambutan, coffee, pineapple and citrus. Other industries are garments, livestock, food processing, fertilizer distribution and manufacturing.

It has a total land area of 54.68 square kms. and actual population of 43,526 as of May 01, 2010 per National Statistics Office (NSO) census data. It is politically subdivided into 15 barangays namely, the Barangays of Poblacion I, Poblacion II, Poblacion III, Poblacion IV, Del Carmen, Palma, San Agustin, San Benito, San Gregorio, San Juan, San Andres, San Ildefonso, San Miguel, San Roque, and Sta. Rosa, all headed by elected Punong Barangays.

The Organizational Structure of the Municipality is as follows:

#### a. Key Officials

Municipal Mayor	: Hon. Atty. Loreto M. Masa
Municipal Vice-Mayor	: Hon. Ruben D. Alvarez
Members of the Sanggunian	: 1. Hon. Lorelei M. Pampolina 2. Hon. Jeyson C. Abu 3. Hon. Nikki D. Castillo 4. Hon. Lino B. Zuñiga 5. Hon. Bernadeth V. Alvarez 6. Hon. Noel L. Monzones

- 7. Hon. Candelaria V. Calabia
- 8. Hon. Gorgonio M. Abrigo
- 9. Hon. Noel M. Fandiño (ABC President)

Municipal Accountant : Mr. Cirilo M. Mista  
 Acting Municipal Treasurer : Ms. Josefina A. Tolosa

**b. No. of Personnel Complement**

Permanent	55
Casual	18
Job Orders	115
Elective Officials	<u>11</u>
<b>Total</b>	<b><u>199</u></b>

**Financial Highlights**

For Calendar Year 2017, the Municipality of Alaminos realized an income of ₱149,102,476 registering an increase of ₱23,244,665 or 18% from last year's figure of ₱125,857,811. During the year, the Municipality appropriated ₱135,388,575 and ₱11,158,822 for the General Fund (GF) and Special Education Fund (SEF), respectively or a total of ₱146,547,397 and obligated a total amount of ₱103,510,769 for both funds. Continuing appropriation for GF as of January 1, 2017 was ₱29,103,607, of which ₱5,651,259 was obligated as of end of the year. On the other hand, continuing appropriation as of January 1, 2017 for SEF was ₱51,400 and was fully obligated as of December 31, 2017.

The total assets, liabilities, government equity, income and expenses for CY 2017 compared with that of the preceding year are as follows:

		Increase/ (Decrease)
2017	2016	

Total Assets	₱310,578,210	₱245,926,177	₱64,652,033
Total Liabilities	88,958,619	68,578,140	20,380,479
Total Equity	221,619,591	177,348,037	44,271,554
Total Income	149,102,476	125,857,811	23,244,665
Total Expenses	98,667,226	90,131,432	8,535,794

### **Scope of Audit**

Financial, compliance and value for money audit were conducted on the accounts and operations of the Municipal Government of Alaminos for CY 2017. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the Municipality with laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

### **Audit Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality of Alaminos, Laguna due to the following:

1. Unserviceable properties with a total net book value of ₱160,080.74 which were already disposed were still included in the book of accounts of the Municipality contrary to Sections 194 and 195 of the Rules and Regulations on Supply and Property Management in the Local Governments as prescribed by COA Circular No. 92-386 and Paragraph 82 of Philippine Public Sector Accounting Standard (PPSAS) 17, thus overstating the Property, Plant and Equipment account by the said amount. Consequently, loss on sale of ₱118,070.74 was not recognized in the Statement of Financial Performance contrary to Paragraph 83 of PPSAS 17, thereby understating the reported expenses and overstating the reported Surplus.
2. The Municipality was not able to conduct an inventory of the local roads and maintain reports necessary for reconciliation, contrary to COA Circular No. 2015-008, thus the accuracy, reliability and completeness of the reported balance of the Road Networks account of ₱908,569.23 was doubtful.
3. The Municipality was not able to fully comply with the transitional provision of COA Circular No. 2016-004 which requires the 50% recognition of Public Infrastructures in the books of accounts at the end of Calendar Year (CY) 2017 due to non-maintenance of Registry of Public Infrastructures in CYs

2009 to 2015, thus understating the Property, Plant and Equipment account by P13,745,093.79.

4. Property, Plant and Equipment (PPE) totaling P4,686,698.55 funded out of the Trust Fund which were already completed as of year-end were not recognized and transferred to the General Fund in violation of Section 104 of the Manual on New Government Accounting System (NGAS) for Local Government Units (LGUs), Volume I, hence ownership and accumulated depreciation of these properties were not recognized by the Municipality and in effect understated both the PPE and Government Equity accounts.
5. Stale checks totaling P42,498.24 were still unadjusted and presented as outstanding checks as of year-end, contrary to Section 59 of the Manual on New Government Accounting System (NGAS) Volume I for Local Government Units (LGUs), thus resulting in the understatement of Cash in Bank – Local Currency, Current Account and Accounts Payable balance.

#### **Significant Observations and Recommendations**

For the exceptions cited above, we recommended that the Municipal Mayor direct the:

- Acting General Services Officer (GSO) to furnish the Municipal Accountant with the list of unserviceable properties that were disposed and other relevant documents as the latter may deemed necessary to facilitate the dropping of property disposed from the book of accounts of the Municipality;
- Municipal Accountant to adjust the succeeding year's financial statements to recognize the loss on sale of property, plant and equipment as part of prior period adjustment;
- Acting GSO to coordinate with the Municipal Engineer to prepare the road map of the Municipality to facilitate the preparation of a property inventory and reporting of its road network system;
- Municipal Engineer to provide the Municipal Accountant and the Acting GSO with the complete description and cost segregation of road components for road projects;

- Municipal Accountant to recognize the amount of road networks equivalent to the required transition provision percentage every year until 2019 and disclose in the Notes to the Financial Statements the necessary details of the said account;
- Municipal Accountant to submit the Registry of Public Infrastructures (RPI), if there is any, and if no available registry, verify all relevant accounting records to gather data pertaining to Infrastructure Assets constructed during CYs 2009 to 2015 to facilitate the preparation of the RPI for those years;
- Municipal Accountant to record Public Infrastructures equivalent to the required percentage of recognition for the succeeding years until 2019 to fully comply with the transitory provision of COA Circular No. 2016-004;
- Municipal Accountant to recognize in the books of accounts all the completed or acquired PPEs funded out of the Trust Fund to account the ownership of these properties by the Municipality. Thereafter, the corresponding accumulated depreciation and depreciation expenses should be recognized to fairly present the accurate value of these properties; and
- Municipal Accountant to adjust the amount of stale checks in the books of accounts by drawing a Journal Entry debiting and crediting the Cash in Bank – Local Currency, Current Account and Accounts Payable account, respectively, in the total amount of ₱42,498.24.

The following are the other significant observations and recommendations:

1. Submission of monthly disbursement and collection reports together with its supporting documents was way beyond the period prescribed under COA Circular Nos. 95-006 and 2009-006, thus resulted in the delay of review and verification of the related transactions of the Municipality.

We recommended that the Municipal Mayor direct the Municipal Accountant to ensure that all disbursement and collection reports together with its supporting documents are submitted within the prescribed period as required under COA Circular Nos. 95-006 and 2009-006.

2. The unexpended/unobligated balance of Local Disaster Risk Reduction and Management Fund (LDRRMF) totaling ₱4,365,475.65 and ₱4,473,749.60 for CYs 2015 and 2017, respectively, were not transferred to the Special Trust Fund in the Trust Fund books, contrary to Section 21 of Republic Act (RA) No. 10121 and Item 5.1.10 of COA Circular No. 2012-002, thus the risk that the fund will be used for purposes other than for disaster risk reduction and management activities.

We recommended that the Municipal Mayor direct the Municipal Accountant and Municipal Treasurer to transfer immediately the unexpended/unobligated balance of the Quick Response Fund and DRRMF-MOOE to the Trust Liability-DRRM account of the Trust Fund books to ensure that the LDRRMF will be utilized only for its intended purposes.

3. Unutilized LDRRMF in CY 2012 amounting to ₱379,323.00 was not reverted back to the unappropriated surplus of the General Fund after the five-year period and details of the total unexpended balance of ₱16,239,019.51 of the LDRRMF was not presented in the Notes to the Financial Statements, contrary to pertinent provisions of COA Circular No. 2012-002.

We recommended that the Municipal Mayor direct the Municipal Accountant to:

- a) transfer in the General Fund books the unexpended LDRRMF in CY 2012 since the five-year retention period has already lapse and use this fund for other social services of the Municipality; and
  - b) disclose in the Notes to the Financial Statements the details of the unexpended balance of the LDRRMF for the succeeding periods using the sample disclosure in Annex D of the aforementioned COA Circular to give users of financial statements more relevant information about the fund.
4. Shares of barangays from Real Property Tax (RPT) collections in Calendar Year (CY) 2017 totaling ₱5,207,171.72 were still not released by the Municipality within five days after the end of every quarter, contrary to Section 271(d) of Republic Act (RA) No. 7160, thus depriving the barangays of the timely use of the funds.

We reiterated our prior year's recommendation that the Municipal Mayor direct the Municipal Accountant and Municipal Treasurer to release the barangays' shares from RPT collections within the period prescribed under Section 271(d) of RA 7160.

5. Fund transfers totaling ₱19,500,000.00 were still not used by the Municipality to implement the intended programs and projects, hence defeated the purposes of the funds and deprived the LGU and its constituents of the expected benefits from the timely implementation of the projects. Further, unexpended balance of fund transfer amounting to ₱881,831.55, a portion of which is due to non-implementation of the intended program needs to be returned to the source agency.

We recommended that the Municipal Mayor and the assigned focal person for each fund transfer address the stated hitches to facilitate the immediate implementation of the approved programs and projects so that the intended objectives will be achieved and the expected benefits will be realized.

We also recommended that the Municipal Mayor require the Municipal Accountant to immediately return to the Department of Labor and Employment (DOLE) the unexpended balance of ₱881,831.55.

6. Disbursement of Cash-for-Work fund given by the Department of Social Welfare and Development (DSWD) amounting to ₱669,120.00 was not supported with complete documentation contrary to Section 4(6) of Presidential Decree (PD) 1445 and DSWD Administrative Order (AO) No. 15 series of 2008, thereby casting doubt on the validity and propriety of the transaction.

We recommended that the Municipal Mayor require the immediate submission of the specified missing supporting documents, otherwise we will be constrained to suspend the pertinent transaction and instruct the MSWDO to be guided by DSWD AO No. 15 series of 2008 in the disbursement of the Cash-for-Work fund in the succeeding periods.

7. Infrastructure projects with a total cost of ₱4,967,439.73 were guaranteed with undated Performance and Warranty Securities in violation of Sections 37.2.1, 39.4 and 62.2.3.4 of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 and completed projects amounting to ₱1,959,968.53 were supported with Warranty Securities that does not coincide with the date of completion, hence detrimental on the part of the Municipality.

We recommended that the Municipal Mayor instruct the Bids and Awards Committee (BAC) and BAC Secretariat to meticulously verify and make sure that the performance and warranty securities submitted by the winning bidder are dated and valid on the prescribed periods.

8. Seven infrastructure projects with total cost of ₱4,495,254.59 that were completed beyond schedule, ranging from 5 to 157 days, were not charged with liquidated damages contrary to Section 68 and Annex "E" of Republic Act (RA) No. 9184, hence detrimental to the interest of the Municipality.

We recommended that the Municipal Mayor direct the Municipal Accountant and Municipal Engineer to impose and collect liquidated damages on infrastructure projects that have been completed beyond schedule in compliance to Section 68 and Annex "E" of RA No. 9184.

9. Priority development projects with a total appropriation of ₱12,825,000.00 under the 20% Development Fund determined needing importance and exigency by the Local Development Council (LDC) were not immediately implemented in Calendar Year 2017, contrary to Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017, thereby depriving the intended beneficiaries of the immediate benefits that could be derived therefrom.

We recommended that the Municipal Mayor direct the Municipal Planning and Development Coordinator (MPDC) to monitor the implementation of the program, projects and activities of the Municipality and ensure that the 20% Development Fund is optimally utilized to help achieve desirable socio-economic development and environmental outcomes.

10. No Local Disaster Risk Reduction and Management Office (LDRRMO) was established in the Municipality contrary to Section 12 of Republic Act (RA) No. 10121 and the Municipal Planning and Development Coordinator (MPDC) was designated as the Municipal Disaster Risk Reduction and Management Officer (MDRRMO), contrary to Sections 4.2 and 5.3 of the National Disaster Risk Reduction and Management Council (NDRRMC), Department of the Interior and Local Government (DILG), Department of Budget and Management (DBM), and Civil Service Commission (CSC) Joint Memorandum Circular (JMC) No. 2014-1, thereby raising doubt as to the effective development, implementation and coordination of disaster risk management programs.

We recommended that the Municipal Mayor:

- prioritize in the succeeding year the allocation of budget for the establishment of LDRRMO in the Municipality to comply with the mandatory requirement of Section 12 of RA No. 10121; and
  - create the minimum four (4) mandatory positions at the LDRRMO and thereafter fill those positions with qualified personnel taking into consideration the qualification standards listed in NDRRMC-DILG-DBM-CSC JMC No. 2014-01.
11. The Municipality has not fully utilize the 70% Mitigation Fund amounting to P4,534,109.39 of the LDRRMF, contrary to DILG Memorandum Circular No. 2012-73, thus planned programs, projects and activities that could lessen the impacts of disasters and upgrade the Municipality's disaster resiliency level were not implemented, hence exposing the populace to potential hazards of dangerous disasters.

We recommended that the Municipal Mayor instruct the Local Disaster Risk Reduction and Management Council (LDRRMC) to comply DILG Memorandum Circular No. 2012-73 and ensure that programs, projects and activities embodied in the LDRRM Plan are implemented to protect the community from disasters.

**Status of Implementation of Prior Year's Audit Recommendation**

Out of the 19 prior year's audit recommendations embodied in the CY 2016 Annual Audit Report, 12 were fully implemented, three were partially implemented and four were not implemented by the Municipality.