

## EXECUTIVE SUMMARY

### Introduction

The Municipality of Unisan, through the efforts of Tenyente Mayor, Matias Isaac, became a full-fledged municipality on February 18, 1876. It has 36 barangays.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor - Nonato E. Puache  
Municipal Vice-Mayor - Danilo C. Suarez, Jr.  
Members of the Sanggunian:

1. Diomedes R. Talavera
2. Van Clark M. Villapando
3. Jose C. Vera Cruz
4. Danilo I. Olega
5. Alexander R. Cabuya
6. Joselito O. Amparo
7. John V. Carillo
8. Bertito A. Galang
9. Filomena M. Cabutihan

Municipal Accountant – Teresita L. Musca  
ICO-Municipal Treasurer- Bernard C. Abella

b. No. of Personnel Complement

Permanent	-	70
Elective Officials	-	11
Coterminous	-	1
Job Order	-	<u>76</u>
Total	-	<u><u>158</u></u>

### Financial Highlights

For Calendar Year (CY) 2017, the Municipality of Unisan, Quezon generated a total income of P90,860,644 from local taxes, share from Internal Revenue Collections, service and business income and other income.

The Municipality's comparative financial condition and results of operations for CY 2017 and CY 2016 are summarized below and shown in detail in the attached audited financial statements:

	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>
Total Assets	P 232,843,695	P 187,454,742	P 45,388,953
Total Liabilities	85,794,289	62,958,783	22,835,506
Total Equity	147,049,405	124,495,959	22,553,446
Total Income	90,860,644	80,726,974	10,133,670
Total Expenses	84,324,520	73,524,857	10,799,663

### **Scope of Audit**

Financial and compliance audit was conducted on the accounts and operations of the Municipality of Unisan for CY 2017. The audit was conducted to ascertain the propriety of financial transactions and compliance of the Municipality with prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements. The audit consisted of review of operating procedures, interview of concerned government officials and employees, verification, reconciliation and analysis of accounts and such other procedures considered necessary.

### **Auditor's Opinion on the Financial Statements**

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

1. The balances of the Property, Plant and Equipment (PPE) accounts per accounting records totaling P22,650,755.65 and per Report on the Physical Count of Property, Plant and Equipment (RPCPPE) of P21,835,488.98 showed a difference of P815,286.67 which could not be reconciled due to the failure of the Municipal Treasurer (MT) to maintain property cards and lack of property and accounting records in the Accounting Office resulting in an unreconciled amount of P815,286.67.
2. Biological Assets account of P50,000.00 was not supported with details and documentation due to absence of records, thus casting doubt on the validity of the account balance as well as its collectibility.
3. Cash advances granted to Municipal officers and employees totaling P6,981.64 recorded under the Advances for Officers and Employees of P6,000.00 and Due from Officers and Employees account of P981.64 remain unliquidated at year-end, resulted to overstatement of the respective asset accounts and understatement of related expenses equivalent to the amount of unreported disbursements.

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

- Municipal Accountant and MT to reconcile their PPE records.
- MT to prepare and maintain complete and updated Property Cards per category of PPE.
- Municipal Accountant to exert efforts in retrieving the records of the Biological Assets. If all efforts fail, request from the Sangguniang Bayan for the derecognition of account.
- Municipal Accountant and MT to ensure that all cash advances are liquidated within the prescribed period in accordance with COA Circular No. 97-002.

### **Significant Observations and Recommendations**

The following are the other significant audit observations and recommendations in the audit of the Municipality for CY 2017:

1. Unexpended balances of funds received from National Government Agencies (NGAs) recorded under account Due to NGAs totaling ₱26,140.00 were not reverted to the National Treasury (NT), contrary to Section 29 (3) Article VI of the Constitution and Executive Order No. 431, thereby depriving the national government of the opportunity to use said funds to its other vital projects, and exposing them to possible misuse.

We recommended that the Municipal Mayor require the MT to confirm with the respective national agencies if the Municipality had outstanding balances in their books that needs to be refunded, if not, revert the amount of ₱26,140.00 to the NT.

2. Fully-depreciated and unserviceable properties with residual value totaling ₱851,538.17 were not disposed of as required under Section 79 of P.D. No. 1445 and Section 125, Chapter 7, MNGAS for LGU, Volume I, thereby depriving the Municipality of the possible additional income that can be derived therefrom. Moreover, no Inventory and Inspection Report of Unserviceable Property (IIRUP) was prepared by the Inventory Committee to proceed with the disposal.

We reiterated our recommendation that the Municipal Mayor instruct the MT to prepare and submit the IIRUP and to undertake the necessary action for the disposal of the said properties in accordance with applicable rules and regulations.

3. The Report on Sources and Utilization of DRRM Fund using the prescribed format was not submitted by the LDRRM Officer to the COA Auditor within 15 days after the end of each month, contrary to Section 5.1.5 of COA Circular No. 2012-002,

hence monthly monitoring and evaluation on the utilization of DRRM Fund for various projects and activities could not be made.

We recommended that the Municipal Mayor require the LDRRM Officer to submit the Report on Sources and Utilization of DRRM Fund within 15 days after the end of each month.

4. Of the ₱953,300.00 appropriated for Local Council for the Protection of Children (LCPC), only ₱130,175.00 or 13.66% was utilized for CY 2017, thus depriving the constituents of the programs, projects and activities for the promotion of the rights and welfare of children.

We recommended that the Municipal Mayor, as the Chairman of LCPC establish proper coordination with the officers concerned in the implementation and monitoring of LCPC programs, projects and activities for the promotion of the rights and welfare of children in order to enhance its rate of implementation.

We also recommended that the Municipal Mayor require the Municipal Budget Office to provide separate budget and utilization report for LCPC.

5. The Municipality failed to secure the National Solid Waste Management Commission's approval of its 10-year Solid Waste Management Plan because the plan did not contain the Waste Analysis Characterization Study, contrary to Sections 16 and 17 (b) of Republic Act No. 9003 and that the existing disposal facility of the Municipality is an open dumpsite, contrary to Section 17 (h) and 37 of the same Act, hence the objectives of the Act are far from being achieved.

We reiterated our recommendation that the Municipality, through the Municipal Solid Waste Management Board, secure the approval of its 10-year Solid Waste Management Plan from the National Solid Waste Management Commission and make provisions in their plan for the closure or eventual phase out of the open/controlled dump sites within the period specified under the framework and pursuant to the provisions under the above-cited regulations.

4. Loans Receivable-Others totaling ₱280,000.00 representing loans granted for the livelihood projects of various associations remain outstanding for more than ten years, for failure of the MT to enforce collections, contrary to Section 2 of P.D. No. 1445, thereby exposing the livelihood projects/programs to sustainability risk and may further result in the loss of government funds.

We recommended that the Municipal Mayor instruct the MT:

- to continue sending demand letters to the defaulting beneficiaries to immediately settle their loans; and
- designate personnel who will monitor the loans granted and the payment made.

The above observations and recommendations contained in the report were communicated to the Municipal Mayor and other key officials under various Audit Observation Memoranda and discussed in the exit conference conducted on June 22, 2018. Management's views and comments were considered in the report, where appropriate.

### **Status of Implementation of Prior Year's Audit Recommendations**

Of the 15 prior year's audit recommendations embodied in the 2016 Annual Audit Report, nine were fully implemented and six were partially implemented by the Municipality.