

EXECUTIVE SUMMARY

A. Introduction

1. The Municipality of Rosario was created on June 21, 1969 under Republic Act No. 5769. The Municipality, as a political and corporate body, is mandated to ensure and support the preservation and enrichment of culture, promote health and safety, enhance the right of the people to a balanced ecology, encourage and support the development of appropriate and support the development of appropriate and self-reliant and technological capabilities, improve public morals, enhance economic prosperity and social justice, maintain peace and order, and preserve the comfort and convenience of its people.

2. The audit was conducted in accordance with applicable legal and regulatory requirements, and the Philippine Public Sector Standards on Auditing. Those standards require that we plan and perform the audit to obtain a reasonable bases for our conclusions.

3. The audit covered the accounts and operations of the municipal government for the year 2017 and was aimed at ascertaining the propriety of financial transactions, management's compliance to prescribed rules and regulations and the fairness of the presentation of the financial statements. Value for money audit was also conducted on the selection and implementation of projects funded out of the 20% development fund to determine whether the objectives of the projects were attained in the most efficient, effective and economical manner.

B. Financial Highlights

a) Financial Position and Results of Operations

Particulars	2017	2016
Assets	478,352,557.54	353,826,847.08
Liabilities	312,255,907.44	233,960,638.00
Government Equity	166,096,650.10	119,866,209.08
Income	226,032,668.23	204,491,913.48
Expenses	176,146,372.97	168,133,171.73
Net Income	49,886,295.26	36,358,741.75

b) Sources and Applications of Funds

Particulars	2017	2016
Appropriations	200,775,811.81	155,457,870.61
Allotment	200,775,811.81	155,457,870.61
Obligations	157,384,276.92	142,370,748.11

C. Audit Opinion

4. The Audit Team Leader rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Rosario for CY 2017 because of the following:

- i. Transfers of the twenty percent (20%) of the Internal Revenue Allotment (IRA) for developmental projects totaling Php30,820,452.50 were inappropriately recorded both in the General Fund Proper and 20% Development Fund books causing inaccurate information.

D. Summary of Significant Observations and Recommendations

5. For the above-mentioned audit observations which have caused the issuance of a qualified opinion, we recommend the following:

- i. We recommended that the Municipal Accountant make necessary correcting entries. The 20% of IRA should be recognized as income in the books of the 20% DF. Receipt of the 20% of the IRA in the GF Proper, prior to actual transfers to 20% DF, should be recorded as Due to Other Funds and correspondingly recognized Due from Other Funds in the books of the 20% DF.

6. The other significant audit observations and recommendations are as follows:

- i. Advances for Officers and Employees and Operating Expenses amounting to Php477,909.45 remained unliquidated as of December 31, 2017 due to non-compliance by the officers and employees with existing laws, rules and regulation on the liquidation of cash advance, contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997.

We recommended that Management direct all officers and employees to strictly adhere with rules and regulations on the liquidation of cash advances.

- ii. Collections for prior year amounting to Php168,384.51 was remitted on the current year contrary to the provision of the Philippine Public Sector Accounting Standards (PPSAS) 23, thus understating the prior year income of the same amount.

We recommended for management to make the appropriate action to preclude the existence of the same condition in the future. Proper monitoring of remittance of collections should be made by the immediate supervisor/liquidating officer.

- iii. The practice of transferring withheld taxes and premiums and loans of the GSIS and PAG-IBIG of the officials and employees from other funds to the General Fund Proper for remittance resulted to improper recording thus other withheld amounts were not remitted on time as

prescribed in Section 69 of PD 1445, depriving the employees of the benefits due them.

We recommended that management direct the Municipal Accountant to record the withheld amounts to its appropriate accounts and remit such amounts directly to the concerned institutions to refrain from creating confusion in the records or books.

- iv. Some employees monetized more than thirty days or more than 50% of their leave credits including sick leave without an attached clinical abstract or barangay certification and some were charged to the appropriation for salaries and wages differing Section 22 of Omnibus Rules on Leave and Section 336 of RA No. 7160.

We recommended that management direct the Municipal Accountant and the concerned employees to submit the lacking documents as specified in the attached schedule and for the Budget Officer to be conscious in the use of appropriation exclusively for its specific purpose to avoid incurrence of same audit suspensions and possible disallowances, if not supported with appropriate documentation, in the future.

- v. Invitation to Bid posted in PhilGEPS of the Five (5) Projects, namely Construction of Central Evacuation Center at Sta.Cruz; Construction of Multi-Purpose Hall & Evacuation Center Phase III at Novele; Construction of Box Culvert Along Larona Mong FMR; Completion of Productivity Skills Capability Building Phase II; and Construction of Slaughter House had inadequate information hindering competitiveness or equal opportunity to eligible and qualified prospective bidders which may affect the validity of the procurement process.

We recommended that management comply strictly with the provisions of Sec. 21.1 of RA 9184 as to proper posting of Invitation to Bid in the PhilGEPS to preclude the incurrence of possible negative consequence due to non-compliance of the law.

- vi. The Act of establishing a Comprehensive Juvenile Justice and Welfare System was defeated as programs of the Local Council for the Protection of Children (LCPC) was insufficiently funded or appropriated as compared to what is provided in Section 15 of RA 9344.

We recommended that the LGU appropriate funds, of what is required by law, for the strengthening and implementation of programs of the LCPC.

- vii. Expenditures amounting to Php1.2M out of the Special Education Fund (SEF) lacked the budget authorization as stipulated in Section 100 (b) of the Local Government Code.

We recommended that management follow the procedural steps in the budget preparation and eventual authorization to preclude the existence of the same condition in the future.

- vii. Some programs and projects included in the Special Education Fund (SEF) Budget for CY 2017 were not among the allowable expenses chargeable against the Fund.

We recommended to the Local School Board to include only expenditure items which are feasible for funding under SEF and which are needs of the schools and learning centers so the purpose of the creation of the fund will be achieved.

- viii. Implementation of some projects under the 20% Development Fund as programmed were very late deviating the scheduled time frame on which these projects should be implemented and delaying the beneficial use of it by the constituents.

We recommended that management direct the Local Finance Committee to monitor and evaluate the physical and financial implementation of the projects so programmed projects will be implemented within the scheduled time frame and for the constituents to enjoy the beneficial use of it.

Further, that management direct the contractor/supplier to refund the excess payments of the above mentioned projects with over claims as well as the service provider of the claim for Php24,000.00 since the project was under contract by a certain construction firm.

- ix. The development of an Eco Park which will house the final waste disposal/processing facility of the Municipality had a very slow pace of implementation due to its non-prioritization in budget allocation.

We recommended that management give preferential attention to this concern by prioritizing the budget allocation for the final waste disposal/processing facility to prevent the incurrence of possible health hazards the existing dumpsite might cause to the constituents.

- x. Inadequate planning of the Local Disaster Risk Reduction and Management Council (LDRRMC) resulted to charging of unfeasible expenditures, sourcing of expenditure charges to different programs, projects and activities (PPA), existence of negative appropriation and duplication of programmed PPAs in the LDRRM Fund (LDRRMF).

We recommended that management undertake extensive planning related to disaster risk reduction and management to preclude the existence of same conditions mentioned above and to avoid unfavorable observation in the future.

E. Summary of total Suspensions, Disallowances, and Charges

7. Audit disallowance amounting to Php56,500.00, remained unsettled contrary to Sections 5.4 and 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009.

F. Statement on the quantity/number of recommendations implemented, partially implemented and not implemented for the current year.

8. Out of the fourteen (14) audit recommendations contained in the CY 2016 Annual Audit Report, three (3) was fully implemented, five (5) were partially implemented and six (6) were not implemented.