

## EXECUTIVE SUMMARY

### A. Introduction

1. The Local Government Unit of Sibagat is a political body, endowed with powers for a God-Centered, self-sustaining and empowered community. The Municipality of Sibagat was created upon separation from its mother town, the Municipality of Bayugan by virtue of Batas Pambansa Blg. 56 on Nov. 6, 1980.
2. The audit on the accounts of the Municipal Government of Sibagat was 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 basis for our conclusions.
3. The audit covered the accounts and operations of the municipal government for the year 2016 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) Comparative Financial Position and Results of Operations

<b>Particulars</b>	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>
Assets	302,047,997.50	268,937,996.52	33,110,000.98
Liabilities	101,048,549.68	94,440,540.75	6,608,008.93
Government Equity	200,999,447.82	174,497,455.77	26,501,992.05
Income	162,003,634.50	144,805,196.47	17,198,438.03
Expenses	128,773,417.51	113,879,496.88	14,893,920.63
Net Income	33,230,216.99	30,925,699.59	2,304,517.40

#### b) Comparative Sources and Applications of Funds

<b>Particulars</b>	<b>2017</b>	<b>2016</b>	<b>Increase/ (Decrease)</b>
Appropriations	187,580,420.63	192,585,419.05	(5,004,998.48)
Allotment	187,466,599.66	192,114,419.05	(4,647,819.39)
Obligations	169,048,279.92	159,312,740.62	9,735,539.30

### **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 Sibagat for CY 2017 because of the following reasons:
  - i. The reliability on the validity and accuracy of reported balance of the Property, Plant, and Equipment account with a book value of Php263,206,580.45 is doubtful due to non-reconciliation of records between the Accounting Office and General Service Office and non-submission of complete inventory reports.

### **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 to the Management that:
    - a) Instruct the Inventory Committee to exert more effort to complete the conduct of physical inventory of all PPE accounts;
    - b) A task force, composing of personnel from Accounting and GSO, be created to conduct the reconciliation of the affected accounts as soon as the physical count is complete;
    - c) The Accounting Office should prepare Journal Entry Vouchers to adjust reconciling items identified with sufficient and appropriate supporting documents;
    - d) The Municipal Accounting Office must exert extra effort to substantiate the unreconciled amount of P6,561,046.39 recorded in the Land account and make adjusting entries for infrastructure projects included in the Land account and record to its proper account.
6. The other significant audit observations and recommendations are as follows:
  - i. Funds downloaded to the other LGUs amounting to Php480,000.00 remained outstanding ranging from 22 to 63 months as of December 31, 2017 due to the failure of the LGUs to submit liquidation reports, thus providing no basis for its proper accounting and casting doubt on the proper utilization of the said fund.

We recommended that Management exert extra effort by finding alternative ways aside from sending demand letters to the said barangays for the immediate liquidation of the long outstanding downloaded funds to determine if the purpose for which it has been transferred has been served and demand return of the fund if found out not utilized or used.

- ii. The validity and existence of Work/Zoo Animals account with a balance of Php223,995.00 and has no movement for more than ten years is doubtful due to failure of the Municipal Agriculture Office to submit of the physical inventory report and the failure of the Municipal Accounting Office to update its records.

We recommended that management require the officials concerned to prepare a physical inventory report of Work/Zoo Animal Account and submit to the accounting office for reconciliation. Confirm the existence thereof and effect necessary adjustments in the books, if warranted.

- iii. The viability and sustainability of the operations of the Motorpool cannot be relied upon due to continued incurrence of substantial loss in its operation, thus defeating the purpose for its creation which is to generate additional income for the Municipality.

We recommended that the Sangguniang Bayan and the Local Finance Committee revisit the operations of the Motorpool and ascertain the viability and sustainability of the economic enterprise by finding alternative ways on how to generate more income to cover the funding requirement for the year. Otherwise, dissolution of the Motorpool as economic enterprise will be recommended if it still continue to incur losses.

- iv. The Municipality failed to fully utilize the 5% of the total appropriations for Gender and Development (GAD) related activities that will address gender issues and concerns, thus, the intended benefits that may be derived from GAD programs, activities and projects by the targeted beneficiaries could not be maximized.

We recommended that Management maximize the utilization of the GAD fund for the year so that wider scope of intended beneficiaries can be benefited of the GAD programs, projects and activities, and objective of the fund can be fully achieved during the year.

- v. The Municipal Local School Board failed to implement seventeen (17) important programs and projects costing P342,188.26 under the Special Education Fund (SEF) for CY 2017 thus, depriving the intended beneficiaries of the timely benefits that can be derived therefrom.

We recommended that the management instruct the Municipal Local School Board to maximize the utilization of the Special Education Fund through full implementation of all planned programs and projects in a year in order to attain the objectives for which the fund was intended and a greater number of intended beneficiaries can be benefited.

- vi. Four (4) programs, projects, activities (PPAs) remained unimplemented while four (4) PPAs were not completed as of December 31, 2017 which were funded out of 20% Development Fund – Continuing Appropriation costing P1,748,475.85 and P2,494,000.00, respectively, thus depriving the constituents of its immediate beneficial use.

We recommended that management instruct the head of the implementing office to fully implement projects funded out of the 20% Local Development Fund especially those funded under the continuing appropriation in order to promptly provide the constituents with the benefits due them.

- vii. Contract Cost of three (3) projects of the Municipality exceeded the COA estimates totaling Php189,659.87 as per COA Technical Evaluation Report due to the failure to conform with the standard engineering estimates, thus resulting to excessive expenditures if not adjusted and/or corrected.

We recommended that the management effect the necessary adjustment in the contract cost and/or deduct the total excess amount from the billing of the contractor.

It is also recommended to meticulously review the prepared Program of Works (POWs) and its unit cost analysis, which is the basis for the Approved Budget for Contract, see to it that cost estimates conform with standard engineering practice & agency's standard capabilities.

**E. Summary of total Suspensions, Disallowances, and Charges**

- i. No audit suspensions, disallowances and charges remained unsettled

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

- i. Out of the 14 recommendations contained in CY 2016 Annual Audit Report, seven (7) were implemented, six (6) were partially implemented and one (1) was not implemented.