

EXECUTIVE SUMMARY

A. Introduction

1. The Municipality of Placer, which is approximately 34 kilometers away from Surigao City, is known to be rich in mineral resources, particularly gold deposits. Its boundaries were extended as far as the Municipalities of Tubod, Mainit and Tagana-an which were formerly barrios of the Municipality of Placer. Although the separation affected the scope or area of the Municipality, Placer is still financially able and capable to manage its resources and remained progressive. However, to date, the law creating the Municipality is still unknown.

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 basis 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 was also conducted on the selection and implementation of projects 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	227,867,947.23	196,029,626.37
Liabilities	57,977,888.56	45,121,224.88
Government Equity	169,890,058.67	150,908,401.49
Income	102,233,917.15	101,332,785.95
Expenses	73,298,740.60	67,344,235.09
Net Income	28,935,176.55	33,988,550.86

b) Comparison of Budget and Actual Amounts

Particulars	2017	2016
Appropriation	111,997,561.82	94,172,096.00
Allotment	103,871,631.86	87,291,843.12
Obligation	82,877,174.74	73,457,564.32

C. Audit Opinion

4. Because of the significance of the matter described in the Independent Auditor's Report, we expressed a qualified opinion on the fairness of the presentation of the financial statements of the Municipal Government of Placer, Surigao del Norte for CY 2017 because of the following reasons:

- i. Accuracy of the balance of Cash-Local Treasury account of P224,819.67 is unreliable and doubtful due to non-reconciliation of the Treasurer's and accounting records, and non-submission of some subsidiary ledgers;
- ii. Validity and accuracy of the Loans Payable-Domestic account of P508,288.30 could not be ascertained due to non-submission of loan payment documents P932,849.42 for CY 2017 on loan availed by LGU Placer from Municipal Development Fund Office (MDFO) to finance Community-Based Resource Management Project (CBRMP)-Support Fund Facility Project loan charged against the 20% Development Fund;
- iii. Accuracy of the balances of Due from NGAs, GOCCs and LGUs accounts are doubtful because the amount of P120,540.78 have been dormant for more than ten years;
- iv. Validity and accuracy of the balances of Due to NGAs account is unreliable due to a difference of P1,371,022.48 between the subsidiary ledger and general ledger of Due to NGAs account in the General Fund; and Due to LGUs account is doubtful due to inappropriate use of this account;
- v. Accuracy of the Due to LGUs account on Real Property Tax share is unreliable because despite existence of negative beginning (debit) balances on some subsidiary ledgers and without booked-up payables at the beginning of the year still LGU Placer remitted P384,642.41 to various local government units in calendar year 2017.

D. Summary of Significant Observations and Recommendations

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

- i. Require the Municipal Treasurer's Office and Municipal Accountant's Office to reconcile the entries in the Cashbook and Subsidiary/General Ledger (SL/GL) at least quarterly to avoid accumulation of variance and submit the adjusting entries on the reconciled amounts on collections and deposits for calendar year 2017; the Municipal Accountant's Office to submit immediately all the lacking SL for the Cash-Local Treasury account as of December 31, 2017; and the Revenue Collectors to turn over the collections daily to the Liquidating

Officer and the latter to deposit immediately her undeposited collections as of December 31, 2017 to avoid possible loss of government funds and the LGU could use the fund for public purpose.

- ii. Submit immediately the amortization schedule and photocopies of paid vouchers on all previous loan repayments to the Office of the Auditor as required in Section 4 (6) of PD 1445 and reconcile their records with the MDFO to ascertain the correctness of the Loans Payable-Domestic account balance. Direct the Municipal Accountant's Office to prepare adjusting journal entries to record the payments of P644,000.00 to MDFO charged against the 20% DF and not from the DBP Proper (80% of the IRA) by debiting CIB-LCCA (DBP Proper) and crediting CIB-LCCA (20% DF).
- iii. Direct the Municipal Accountant to reconcile the unliquidated fund transfers between the source and implementing government entities, prepare the adjusting entries for the reconciling items noted, and require liquidation of the balances; and to prepare aging of dormant fund transfers on a quarterly basis, using Annexes 1 to 3 of of COA Circular No. 2016-005 dated December 19, 2016, to support the request for write-off as provided in Sections 7.2 and 7.4 of said COA Circular. Moreover, follow the procedures in the write-off of dormant accounts provided in Section 8.
- iv. Require the Municipal Accountant's Office to reconcile the difference between the GL and SL of the Due to NGAs account in the General Fund amounting to P1,371,022.48 and to reclassify the accounts used on transactions in the Due to NGAs and Due to LGUs account totaling P1,431,543.21.
- v. Direct the Municipal Accountant's Office to retrieve the source documents on RPT share of the Province of Surigao del Norte and various barangays of LGU Placer and the corresponding remittances, and effect adjusting entries duly supported with documents to arrive accurate balance of Due to LGUs on RPT and submit the supporting documents for adjusting journal entries in the amount of P704,070.47.

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

- i. Non-maintenance of separate subsidiary ledger for Cash in Bank-Local Currency, Current Account on the deposit of receipt of Assistance to Disadvantage Municipalities (ADM) Fund amounting P9,968,000.00 from DILG-DBM violated Section 4.3.1 of DILG-DBM Joint Memorandum Circular No. 2017-3 dated May 23, 2017. Thus, a risk that inadequate information is furnished to other agencies of the government.

We recommended that Management direct the Municipal Accountant's Office to maintain separate subsidiary ledgers for all transactions involving Assistance to Disadvantage Municipalities Fund as provided for in Section 4.3.1 of DILG-DBM JMC No. 2017-3 dated May 23, 2017.

- ii. Non-maintenance of separate subsidiary ledgers of Trust Liabilities-Disaster Risk Reduction Management Fund (DRRMF) and Cash in Bank, LCCA, Special Trust Fund accounts for transfers of LGU Placer's unutilized DRRMF to the special trust fund by year of transfer contravened Section 5.1.12 of the COA Circular No. 2012-002 dated September 12, 2012 . Thus, the amount and details of the unexpended balance of LDRRMF by year of transfer could not be determined and not properly discussed in the Notes to the Financial Statements.

We recommended that Local Chief Executive require the Municipal Accountant's Office to maintain separate SLs for transfers of LGU's unutilized DRRMF to the Special Trust Fund such as CIB-LCCA -LDRRMF (Special Trust Fund)/ and Trust Liabilities –DRRMF by year of transfer; and to disclose in the Notes to Financial Statements the amount and details of the unexpended balance of LDRRMF using the format in Annex D of COA Circular No. 2012-002 dated September 12, 2012.

- iii. Non-preparation of Local Disaster Risk Reduction Management Fund Investment Plan (LDRRMFIP) in details as to projects and activities of the four (4) thematic areas violated Paragraph 3 of Section 3.0 NDRRMC, DBM and DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013 and Section 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012. Moreover, non-preparation and non-submission of Monthly and Annual Report on Sources and Utilization of DRRMF violated Section 5.1.5 of the same COA Circular precluding the Auditor of timely evaluation and monitoring of the funds.

We recommended that Management direct:

1. The MDRRM Council prepare the LDRRMFIP 30% allocation for QRF in lump sum and in details as to projects and activities to be funded by the 70% allocation for disaster prevention and mitigation, preparedness, response, rehabilitation and recovery, and to incorporate the projects and activities to be funded from the unexpended QRF and DRRMF-MOOE of the previous years which were transferred to the Special Trust Fund using the format of Annex A of Section 5.1.2 of COA Circular No. 2012-002 dated September 12, 2012; and
2. The Municipal Accountant's Office, MDRRM Office, MDRRM Council and Municipal Development Council to prepare and submit the monthly and annual Report on Sources and Utilization of DRRMF on or before the 15th day after the end of each month to the Auditor using the format in Annex B of COA Circular No. 2012.

- iv. Non-creation by LGU Placer of three (3) statutory staff positions of Local Disaster Risk Reduction and Management Office contravened Section 12.b of Republic Act 10121. Hence, implementation of actions and measures pertaining to disaster risk reduction and management may not be assured.

We recommended that Local Chief Executive and Sangguniang Bayan Members prioritize the creation of the three (3) statutory positions of the LDRRM Office in-charge of research and planning, administration and training, and operations and warning as required by Section 12.b of RA 10121 to assure implementation of actions and measures related to disaster risk reduction and management.

- v. Non-closure of existing open dumpsite and non-establishment of sanitary landfill site by LGU Placer violated Section 17 (h) of Republic Act 9003 and DILG Memorandum Circular No. 2009-168 dated October 27, 2009. Thus, the constituents are susceptible to health and safe risks.

We recommended that Local Chief Executive strictly comply with the mandate of RA 9003, known as the Ecological and Solid Waste Management Act of 2000, especially on the establishment of solid waste and materials recovery facilities and closure of the open dumpsite as provided in DILG Memorandum Circular No. 2009-168 dated October 27, 2009.

- vi. Delayed remittance by LGU Placer of the share from the proceeds of Special Education Fund (SEF) Tax to the Province of Surigao del Norte for March, June and July 2017 ranges between 5 to 53 days in violation of Section 9 of Republic Act No. 5447 and unreleased amount of P138,490.28 as of December 31, 2017 deprived the Province of the immediate or timely use of the fund.

We recommended that Management direct the Municipal Accountant's Office to promptly prepare the disbursement voucher on the remittance of Provincial share from the additional one percent (1%) tax on real property accruing to the SEF; and the Municipal Treasurer's Office to effect the payment thereof within fifteen (15) days of every succeeding month and remit immediately the unreleased shares as of December 31, 2017 in compliance with Section 9 of Republic Act No. 5447.

- vii. Of the targeted ten (10) LCPC Programs, Projects and Activities (PPAs), six (6) or 60 % were partially implemented and four (4) or 25% were not implemented while only 13.70% or P101,370.00 of the total approved budget of P740,000.00 was utilized. Thus, the implementation of LCPC PPAs was not fully achieved. Moreover, non-preparation of Children Profile and non-establishment of data base on children violated Sections II.1.f and II.3 of DILG Memorandum Circular No. 2012-120 dated July 9, 2012 which may affect the purpose of strengthening the LCPC.

We recommended that Management direct the members of the LCPC and Municipal Social Welfare Development Office to closely monitor and implement the PPAs for LCPC and to maximize the utilization of the LCPC fund; and to prepare Children Profile and to establish data base on children for proper planning and identification of PPAs which is the most need of the children in the Municipality for full delivery of the services as enumerated in Section II of DILG Memorandum Circular No. 2012-120 dated July 4, 2012.

- viii. Non-installation by LGU Placer of the community billboard within the premises of the Municipal hall as of December 31, 2017 on the receipt of Assistance to Disadvantage Municipalities (ADM) Fund amounting P9,968,000.00 in October 2017 from DILG-DBM violated Section 4.4.4.i of DILG-DBM Joint Memorandum Circular No. 2017-3 dated May 23, 2017. Thus, it deprived the right of the people to information on the funds received.

We recommended that Management direct the local officials concerned to immediately install the community billboard as prescribed in Annex D of DILG-DBM Joint Memorandum Circular (JMC) No. 2017-3 dated May 23, 2017 and in compliance with Section 2.2.1 of COA Circular No. 2013-004 dated January 13, 2013 for transparency and information of the public.

- ix. Only P2,307,489.01 or 12.78% of the current year's appropriation for 20% Development Fund (DF) was utilized. Thus, majority of the programs and projects in CY 2017 appropriation of P15,751,262.31 or 87.22% were not implemented and depriving the constituents of the earliest or timely delivery of improved facilities and projects that could have contributed to their socio-economic development and environmental management outcomes.

We recommended that the Municipal Mayor ensure the optimal utilization of the 20% development fund and fast-track the implementation of the unimplemented and on-going development projects as of December 31, 2017; and the Municipal Development Council and the Municipal Planning and Development Coordinator to closely monitor and strongly pursue the timely and full implementation of all the programs and projects of the 20% DF and to regularly submit status reports to the Municipal Mayor so that appropriate measures can be instituted.

- x. Only ₱370,806.00 or 10.44% of the 70% allocation of the LDRRMF of LGU Placer in CY 2017 was utilized contrary to the declared policy of the State which is to strengthen the capacity of the Local Government Units to build a disaster resilient community as provided in Section 2(e) of Republic Act 10121.

We recommended that Management optimally use the 70% allocation of the Disaster Risk Reduction Management Fund through the implementation of the projects and activities allowed and mentioned in Section 5 of NDRRMC, DBM and DILG JMC No. 2013-1 to build a disaster resilient community and to reduce disaster risks.

- xi. Non-utilization of P634,401.95 by LGU Placer for the implementation of Solid Waste Management PPAs contravened Section 2 (c) of Republic Act No. 9003 and may affect the disposal in appropriate and environmentally sound solid waste management facilities.

We recommended that Management direct the Municipal Solid Waste Management Board and Municipal Environment and Natural Resource Office to develop specific mechanics and guidelines to properly implement the Solid Waste Management PPAs of LGU Placer and oversee its implementation to fully utilize the fund of P634,401.95 for timely benefits that the public could derived therefrom.

- xii. LGU Placer did not establish and maintain Gender and Development (GAD) Database in violation of Item 4.B.1 of the Joint Memorandum Circular No. 2013-01 of the PCW-DILG-DBM-NEDA, thereby there is a risk that identified programs, projects and activities in the GAD Plan and Budget are not gender-responsive and not the priority gender issues that need to be addressed.

We recommended that Management establish and maintain a GAD Database containing gender statistics and age and sex-disaggregated data in compliance with the PCW-DILG-DBM-NEDA JMC No. 2013-01 to ensure that GAD PPAs address emerging and or continuing issues and concerns on the protection and fulfillment of women's human rights, economic empowerment of women, and participation in local governance and decision-making.

E. Summary of Total Suspensions, Disallowances and Charges

7. Audit suspension and disallowances amounting to P469,061.81 and P1,300,000.00, respectively, remained unsettled contrary to Section 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 thirteen (13) audit recommendations contained in the CY 2016 Annual Audit Report, eight (8) were partially implemented and five (5) were not implemented. Further, out of seven (7) audit recommendations in CYs 2015 and 2013 Annual Audit Reports, five (5) were fully implemented and two (2) were partially implemented.