

## EXECUTIVE SUMMARY

### INTRODUCTION

The Municipality of Mabinay was created by virtue of Republic Act No. 2496, under the sponsorship of then Congressman Lorenzo G. Teves on June 21, 1956. It is located at the central part of Negros Island with a total land area of 36,226.35 hectares, composed of 32 barangays. Being an interior town, Mabinay is about 87 kilometers northwest of the provincial capitol, located in Dumaguete City.

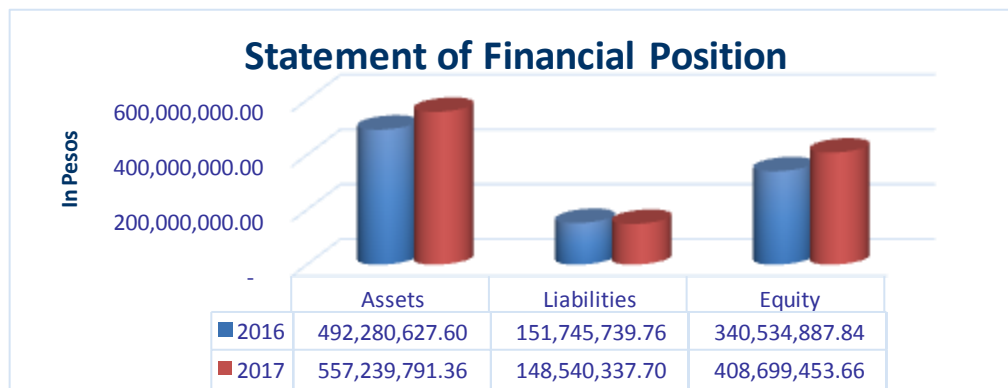
The enactment of Republic Act 7160, otherwise known as the “Local Government Code of 1991,” extended the powers of the local government units to include not only the ability to create other sources of funds but also gave them total independence in managing, deciding and planning its own administrative and financial affairs in conformity with the national government’s thrust for sustainable social and economic development.

As of 31 December 2017, it had a personnel complement of 633, consisting of the following:

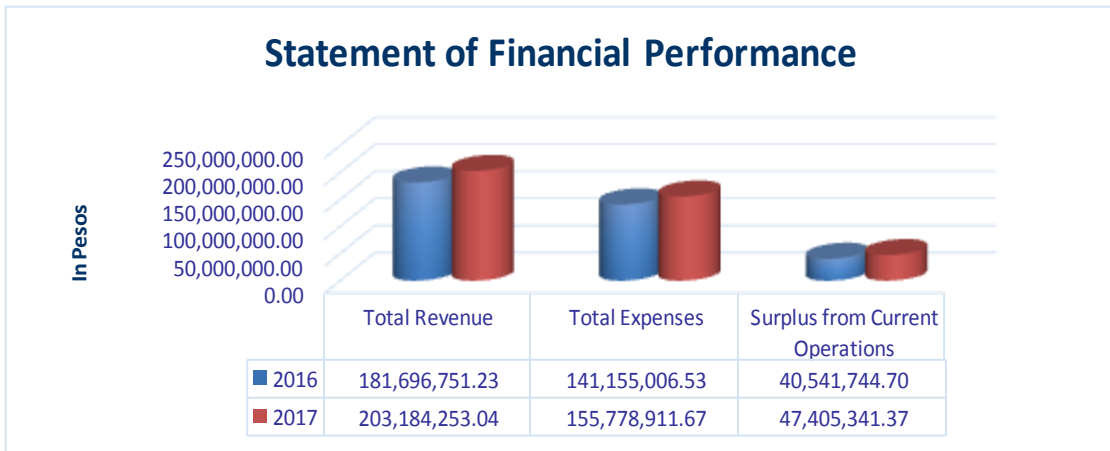
<i>Nature of Appointment to Office</i>	<i>Number</i>
Elective Officials	11
Appointive permanent personnel	86
Co-terminous	2
Appointive casual plantilla personnel	96
Job Orders	300
Contract of Services (CVOs/Teacher Aides)	87
Memorandum Orders (Day Care Workers)	51
<b>Total</b>	<b>633</b>

### FINANCIAL HIGHLIGHTS

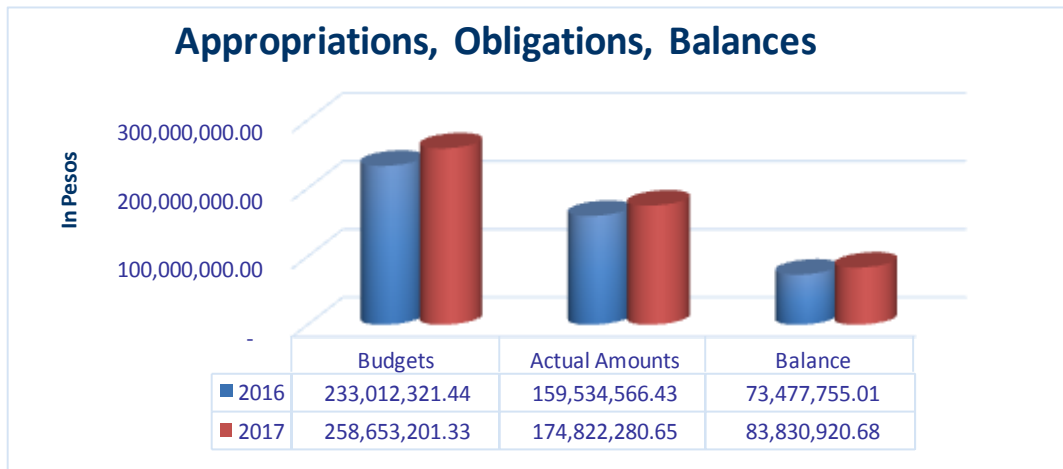
Comparative analysis of the Statement of Financial Position as graphically illustrated below showed an increase in assets and equity and a decrease in liabilities.



On the other hand, the Statement of Financial Performance presented an increase in both income and expenses as shown below:



The following graph illustrates an increase in appropriations and obligations during the year under audit:



## SCOPE OF AUDIT

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Mabinay, Negros Oriental for the year ended December 31, 2017. The audit was aimed at ascertaining the accuracy and reliability of the financial statements, the propriety and legality of disbursements, the adequacy of the books of accounts and its subsidiary records, and the degree of compliance with existing laws, rules and regulations.

In compliance with unnumbered Memorandum dated October 12, 2017 of the Assistant Commissioner, Local Government Sector, COA, Quezon City, the significant thrust areas that were looked into by the Audit Team are shown on the next page:

1. Fund Transfers From/Given To
2. Bottom-Up Budgeting
3. Local Disaster Risk Reduction Management Fund (LDRRMF)
4. Local Council for the Protection of Children (LCPC)
5. Gender and Development
6. GSIS, PHIC and Pag-IBIG contributions and remittance thereof

Based on the Audit Team's assessment on the Agency's accounts, the following areas were likewise covered in audit:

1. Property, Plant and Equipment
2. Submission of Accounts
3. Receivable Accounts
4. Compliance with RA 9184

Our examination consisted of the verification of records on a test basis, review of operating procedures, inspection of projects, interview with concerned officials and employees, analysis of accounts and such other procedures considered necessary in the circumstances.

## **AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS**

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Mabinay, Province of Negros Oriental for the year ended December 31, 2017 because, as contained in Part III of this report, several parcels of land valued at ₱58.97 million were not recorded in the books of the Municipality, thereby understating the assets and equity. In addition, the Municipality, as in previous years, did not complete the actual physical inventory of the items booked under the property, plant and equipment, thus the existence, accuracy and condition of its movable properties amounting to ₱47.99 million could not be ascertained.

## **SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS**

The following is the summary of significant observations and recommendations in the audit and evaluation of the operations of the Municipality of Mabinay, Negros Oriental for the year 2017:

1. Sixty-nine percent (69%) of the CY 2017 annual budget for the Local Council for the Protection of Children, or ₱1,250,000.00, was allocated for the municipality's counterpart/additional honoraria of day care workers which expense is not among the allowable uses of LCPC fund, drastically reducing the amount available for the implementation of LCPC programs and projects which could hinder the attainment of its objectives.

*We recommended that the municipality stop the practice of charging to LCPC funds the honoraria of day care workers (Municipal counterpart) and instead utilize the fund for the more important and vital programs and projects of the LCPC to enable it to attain its objectives.*

2. The purchase of laptops and expensive tablets amounting to ₱392,500.00 for the Sangguniang Bayan including the Vice Mayor and the ABC Vice President is deemed unnecessary, considering the nature of their work and viewed in the light of the pronouncement of COA under COA Circular No. 2012-003.

*We recommended that municipal officials endeavour to avoid the incurrence of unnecessary expenditures and ensure that only essential items necessary in the LGU's operations are purchased in order to safeguard the municipality's resources.*

3. The municipality paid hazard allowance to social workers and public social welfare and development officers at a fixed monthly rate of twelve percent of their monthly salaries instead of only the days they were actually exposed to danger or occupational risks while claims were not supported by proof of actual exposure, thus resulting to irregular expenditures of ₱183,862.16.

*We recommended that the municipality limit the payment of hazard allowance only to days an employee is actually exposed to occupational risks due to the type of cases/clientele they actually handled as well as during assignments to remote and depressed areas, strife-torn or embattled areas, distressed or isolated stations, mental hospitals, leprosaria, areas declared under a state of calamity or emergency which expose them to great danger, and volcanic activity/eruption. We further recommended that claims for hazard allowance be supported with proof of exposure to risk for each day claimed.*

4. Only ten out of 86 projects programmed for implementation in CY 2017 under the 20% Development Fund were implemented while funds for ten other projects were transferred to the barangays, erroneously recorded as capital outlay in the municipality's books and not implemented by the recipient LGUs, thus depriving target beneficiaries of the benefits from the projects and hindering the development of the municipality.

*We recommended that the municipality endeavor to fast-track the implementation of development projects under the 20% DF in order that the benefits can be immediately enjoyed by target beneficiaries as well as ensure that these are completed at the time they are still relevant or needed. We further recommended that the 20% DF be used to finance only those projects which are among the allowable uses thereof in conformity with existing guidelines. Lastly, we recommended that appropriate steps be taken to correct the books for the erroneous recognition of capital assets for funds transferred to the barangays amounting to ₱900,000.00.*

5. Because of construction defects, the water reservoir/tank constructed by the municipality under the Agri-Inland Fishery/Livelihood Trainings (BUB) project of the Bureau of Fisheries and Aquatic Resources could not supply the required quantity of water thus only three out of ten water boxes composing the tilapia hatchery could be utilized, thereby resulting to waste of government funds and a very low production and distribution rate of tilapia fry.

*We recommended that the Municipal Agriculturist initiate the repair of the water reservoir/tank in order that it can supply the required quantity of water to operate all ten water boxes of the hatchery and thus attain their intended purpose.*

6. The operations of two economic enterprises of the municipality, the Mabinay Terminal Complex and the Spring Resort are not being recorded in special accounts thus precluding a determination of their respective profitability and financial positions.

*We recommended that the Municipal Accountant maintain special accounts for the Terminal Complex and Spring Resort in order that management can be informed of the profitability or non-profitability of their operations and can thus decide accordingly.*

7. Appropriations for Gender and Development amounting to ₱3,126,250.00, representing 31% of the total GAD budget of ₱10,075,759.00 were allocated for activities which were not GAD-related while ₱2,510,220.25 was inappropriately utilized for non-GAD expenses such as 4-H Club Summits and Scholarship Programs, contrary to the provisions of Section 4.C.1.1 of PCW-DILG-DBM-NEDA Joint Circular No. 2013-1, thus jeopardizing the attainment of GAD goals.

*We recommended that the municipality henceforth stop the utilization of GAD funds for projects which are not gender-related and instead endeavour to learn the proper usage of the fund in order that only the appropriate programs, projects and activities may be funded thereby.*

## **STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

As of December 31, 2017, audit suspensions and disallowances amounting to ₱150,700.00 and ₱1,067,560.00, respectively, remained unsettled.

## **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 24 audit recommendations embodied in the CY 2016 and prior years Annual Audit Reports, five were fully implemented, seven were partially implemented and 12 were not implemented.