

EXECUTIVE SUMMARY

INTRODUCTION

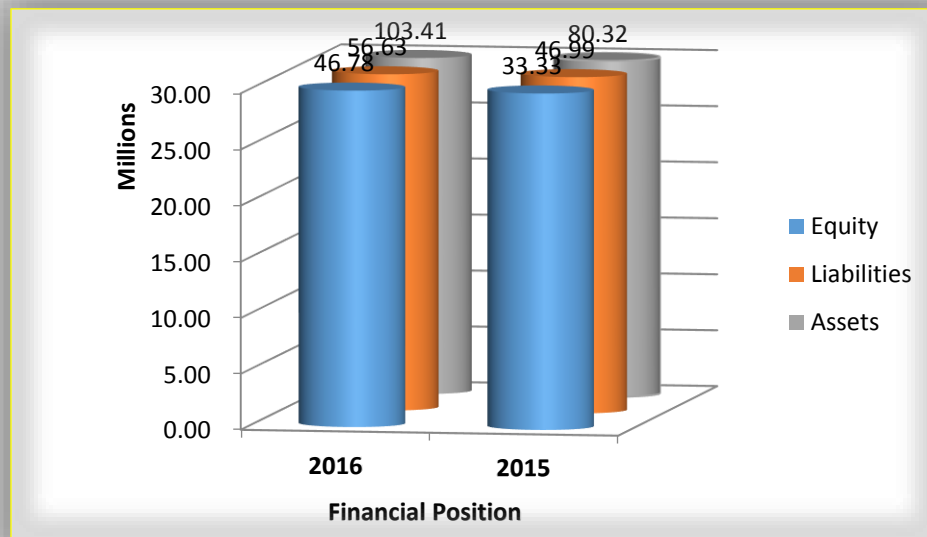
The Municipality of La Paz, Province of Abra derives its mandate from Republic Act No. 7160, the Local Government Code of 1991. The code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the general welfare and the provision of basic services and facilities.

The Municipality is classified as a 5th class municipality. It is presently headed by Mayor Menchie B. Bernos, supported by eleven (11) elective officials. It has a total of thirty five (35) permanent employees, two (2) co-terminus, and seventy two (72) job orders.

FINANCIAL HIGHLIGHTS

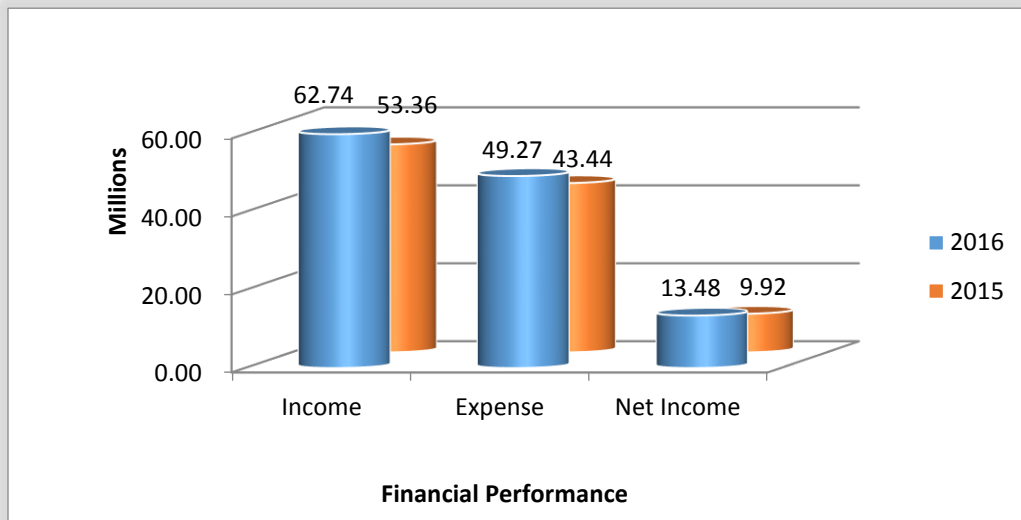
Comparative analysis for the two year period of the Financial Performance and Financial Position of the Municipality are illustrated as follows:

FINANCIAL POSITION



The municipality's assets, liabilities and residual equity for the year 2016 amounted to ₱103,406,554.23, ₱56,625,553.56 and ₱46,781,000.67, respectively.

FINANCIAL PERFORMANCE



For the year 2016, the total income and expenditure of the municipality amounted to ₱62,743,847.17 and ₱49,268,622.14, respectively. This represents an increase in income and expense of ₱9,380,106.47 and ₱5,825,872.77 as compared to 2015 financial performance.

OPERATIONAL HIGHLIGHTS

For the year 2016, the major accomplishments of the Municipality included the following:

Program/ Project/ Activity	Appropriation	Amount
20% Development Fund		
Concreting of Bulbulala Barangay Road	453,871.00	675,000.00
Road Widening/Gravelling of Sitio Ababeng Road	221,129.00	
Improvement of Buli-Pisong FMR	1,176,491.00	1,176,491.00
Improvement of Buli – Bagatoy FMR	505,894.00	505,894.00
Concreting of Pidipid Benben FMR	1,234,000.16	1,173,640.00
Installation of RCPC Basin and Embankment of Buli Malabbaga	1,093,246.00	718,185.95
Concreting of Poblacion Barangay Road	1,406,711.83	1,392,644.71
Udangan Flood Control	2,500,000.00	2,475,000.00
Construction of Vermin Compost Pit	400,000.00	0.00
Box Culvert and Widening of Banbani San Gregorio Toon	657,022.75	0.00

The Municipality was also a recipient of funds from other government agencies which were utilized for the implementation of the following projects:

Program/ Project/ Activity	Fund Source/s	Amount
Other Sources:		
• Improvement/Rehabilitation of BuliMalabbaga Road	RA 7171	1,993,281.30
• Improvement/Rehab of Canan-Toon Road	RA 7171	2,149,473.15
• Improvement/Rehab of Pob La Paz-Danglas, Road	RA 7171	1,800,000.00
• Improvement/Rehabilitation of Poblacion Road	RA 7171	561,330.01
• Improvement/Maintenance/Rehab of GongonotTayawa	LGSF	2,529,791.86
• Buli Barangay Health Center	BUB	1,100,000.00

Verification and validation of the infrastructure projects were not immediately requested from COA-TechITS due to delayed submission of accounts and copies of program of works, contracts/purchase orders as basis in conducting evaluation/inspection.

SCOPE OF AUDIT

The audit covered the accounts, transactions and operations of the Municipality of La Paz for the year 2016. The audit was conducted to ascertain the fairness of presentation and reliability of the Municipality's financial position and performance, the propriety of financial transactions and compliance with laws, rules and regulations. It was also made to determine whether the programs, projects and activities for the year were implemented in an efficient, economical and effective manner.

OPINION IN THE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements for reasons cited as follows:

1. The validity and accuracy of the Property, Plant and Equipment (PPE) account with a balance of ₱39,279,673.34 could not be ascertained due to: (a) inclusion of unidentified and with no status items amounting to ₱16,604,162.14; (b) unreconciled difference of ₱335,240.10 between the accounting and property records contrary to Section 53 of the Government Accounting and Auditing Manual (GAAM) and Section 124 of the New Government Accounting System (NGAS) Manual for LGUs.

We reiterated our recommendation that the management create an inventory committee to conduct a complete physical inventory taking of property to establish the existence and actual condition of the assets of the agency. Also, the Municipal Accountant is advised to maintain PPELC to be reconciled with the balances of PPE per General Ledger and Property Cards to be maintained by the Property Custodian.

2. Dormant accounts totaling ₱3,174,020.10 were being maintained in the books of the agency rendering the account balances doubtful and ultimately affecting the fair presentation of the financial statements.

We have reiterated our recommendation that the management:

- a. Instruct the Municipal Accountant to exert more effort to establish existence and determine the nature of the accounts. Measures which include sending demand letters to debtors reminding them of their overdue obligations should be made;
 - b. If the receivables would be found uncollectible and unrecoverable, consider requesting for its write-off pursuant to existing COA rules and regulations. The request for authority to write-off the accounts outstanding for more than 10 years should be forwarded to the COA for evaluation as required by existing rules and regulations; and
 - c. Accounting unit should maintain complete and updated subsidiary ledgers for Receivables.
3. The Municipality recognized ₱3,528,900.47 of Local Road Networks in the books of account in compliance to Item IX of COA Circular No. 2015-008. However, the recognition is doubtful due to incomplete documentation.

We have recommended that:

- Management promptly conduct an inventory of its road network system and the GSO to maintain a Local Road Inventory and Road Map; and
 - The Municipal Accountant trace the recorded road, highways and bridges which were closed to government equity in the prior years and subsequently record in its books of accounts the amount of road works equivalent to the required transition provision.
4. Infrastructure projects recognized as Repairs & Maintenance – Infrastructure Assets - ₱6,722,086.42

We have recommended that the management through the Municipal Accountant record these projects to their proper account. Also, maintain subsidiary ledgers in order to easily account these assets in case of physical inventory.

SUMMARY OF OTHER SIGNIFICANT AUDIT FINDINGS AND RECOMMENDATIONS

Cash Advance

5. Rules and regulations in the Grant, Utilization and Liquidation of Cash Advances were not adhered to.

- a. The specific purpose for which the cash advances were granted were not identified in the disbursement vouchers and no list of estimated expenses were attached.

We have reiterated our recommendation to the management that cash advances be supported with estimate/breakdown of expenses to be paid, in accordance with Section 89 of PD 1445 and Annex B of COA Circular 2012-03. Also, we reiterate our recommendation that the Municipal Treasurer be granted cash advances only for salaries, wages, honorarium and petty operating expenses.

- b. Cash payments exceeding ₱15,000.00 per transaction were made for supplies, goods, materials, services etc. totaling ₱10,265,246.50.

We reiterated our recommendation to the management to instruct the treasurer to pay disbursements exceeding ₱15,000.00 directly to the payee through checks in compliance with Sections 2.2 and 4.3.2 of COA Circular No. 97-002.

Validation of Reported Accomplishments

6. The Municipality paid projects funded under RA 7171 which is higher than the actual accomplishments reported by the contractors in their Statements of Work Accomplished (SWA) indicating that no validation was conducted before payments were made.

We have reiterated our recommendation to management:

- that the Municipal Engineer verify the reported accomplishments before certifying the Statement of Work Accomplished submitted by the contractor. He shall measure the value of the works actually in place in accordance with the contract;
- Municipal Officials should oblige the contractors to implement the projects otherwise, the payments will become the personal liability of the municipal officials who certified the correctness and validity of the claims.

Compliance with RA 9184

7. Procurement of various supplies and materials totaling ₱4.3 Million was not in accordance with the provisions of Republic Act 9184 and its Implementing Rules and Regulations, thus, there was no assurance that the prices were the most advantageous to the government and the transactions are deemed irregular and illegal.

We have recommended that management, especially the Bids and Awards Committee (BAC), explain the reasons for not abiding with the rules on procurement. Purchases beyond the threshold on shopping and small value items should be done through

competitive bidding as mandated by RA 9184. In all instances, ensure that the most advantageous price for the Government of the Philippines is obtained.

8. Retention money was not deducted on payments for infrastructure projects funded by RA 7171 totaling ₱8 Million, thus the interest of the municipality was not protected against third party liabilities and uncorrected defects which may be detected later.

We have recommended that progress payments should be subjected to the ten percent (10%) retention or substituted with other allowable form of guarantees to protect the interest of the municipality in case of defects in implemented projects or from third party liabilities.

Utilization of 20% Development Fund

- 9.a Unimplemented Development Projects for 2016 - ₱1,257,022.75

We have recommended that the management follow the programmed timelines for period of implementation in the AIP to ensure the full implementation of the development projects. Project implementation schedule shall be made in order to effectively implement and monitor all the projects of the municipality.

- 9.b Implementation of projects that were not included in the municipality's Annual Investment Plan - ₱5,260,830.66

We have recommended that the management amend or update the Annual Investment Plan in case a realignment/supplemental of appropriation is made. The AIP must contain specific projects in accordance with DBM DILG Joint Memorandum Circular No. 2011-1.

- 9.c Several projects do not partake the nature of investment or capital outlay contrary to the provision of DBM-DILG Joint Memorandum Circular 2011-1 - ₱1,599,769.23

We have reiterated our recommendation that utilization of the 20% Development Fund be limited to programs, projects and activities that will contribute to the attainment of socio-economic development and environmental management outcome and shall partake the nature of investment or capital expenditure and yields greater benefit to the people in accordance with DBM DILG Memorandum Circular 2011-1.

Utilization of 5% LDRRM Fund

10. Required allocation for 30% Quick Response Fund and 70% mitigation, preparedness and prevention was not followed and part of the utilization of Local Disaster Risk Reduction and Management Fund (LDRRMF) was not in accordance with COA Circular 2012-002.

We have reiterated our recommendation that an Investment Plan for the Local Disaster Risk Reduction Management Fund be prepared and utilized with the prescribed format presented in the Annexes of COA Circular 2012-002. Also, compliance to the guidelines on the utilization of the LDRRMF as prescribed under Republic Act 10121 should be strictly adhered to.

Other comments and recommendations are discussed in detail in Part II of this report.

The audit observations and recommendations were discussed with concerned officials of the Municipality and their views and reactions were considered in this report, where appropriate.

SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END

As of year-end, the Audit Team had issued Notice of Suspension totaling ₱3,255,390.00 pertaining to equipment rental paid by the Municipality.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS

Of the thirty two (32) recommendations in the 2015 Annual Audit Report, four (4) were implemented, while twenty eight (28) were not yet implemented or acted upon.