

EXECUTIVE SUMMARY

Introduction

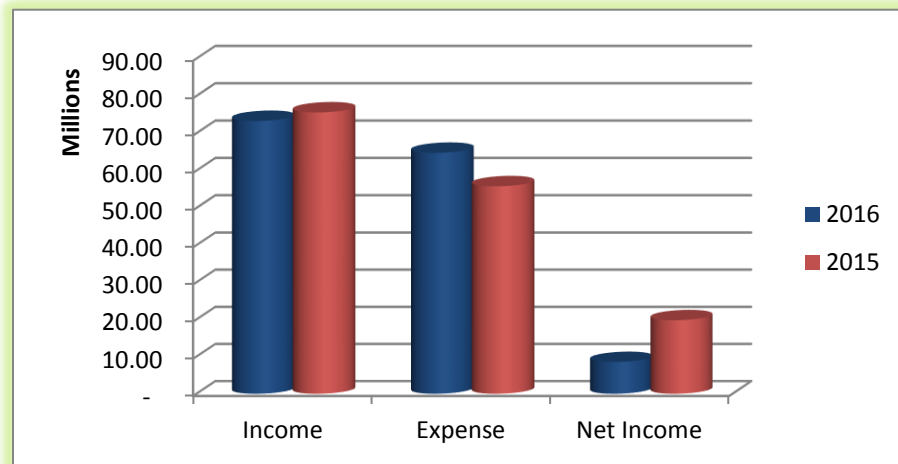
Republic Act No. 7160 or the Local Government Code of 1991 gave the Municipality of Lacub the role to serve primarily as a general purpose government for the coordination and delivery of basic, regular and direct services, and effective governance of the inhabitants within its territorial jurisdiction. In view of this, the Municipality had the mission or purpose to sustain economic growth, promote social justice, health and nutrition programs, and pursue plans and programs that will uplift the living conditions of the citizenry in the locality.

The Municipality is headed by Hon. Estelita B. Bersamina as the Municipal Mayor. It has 46 personnel complement, composing of 12 elective officials, 6 co-terminus and 28 regular employees.

Financial Highlights

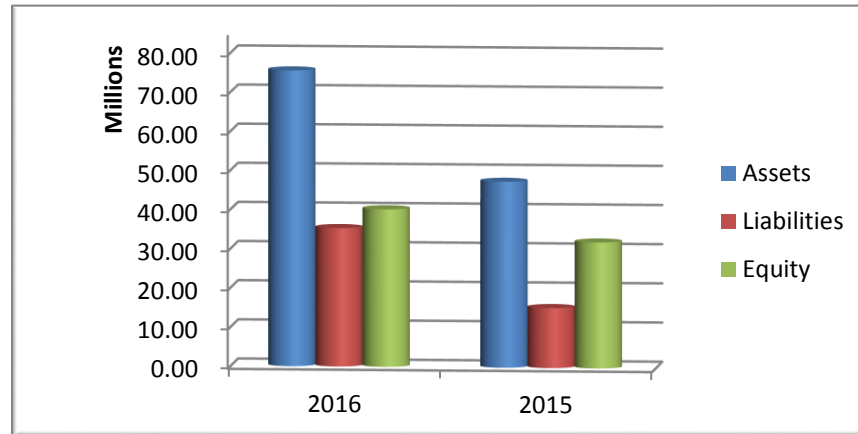
For Calendar Year 2016, the Statement of Financial Performance as graphically illustrated below showed a significant decrease in the income of the Municipality by ₱11,236 million as compared to the previous year due to the change in accounting policy wherein funds received from National Government Agencies for specific project were no longer treated as income after project implementation.

Financial Performance



On the other hand, the Statement of Financial Position show an increase in total assets by ₱28.077 million, increase in total liabilities by ₱20.014 million, and an increase in total equity by ₱8.063 million as compared to the previous year, as follows:

Financial Position



Operational Highlights

For the year 2016 the municipality reported various accomplishments funded under the 20% Development Fund. Included therein are the following infrastructure projects:

Projects	Appropriation	Actual Expenditure
1. Repair and Maintenance of Existing Public School Building	₱ 300,000.00	₱ 300,000.00
2. Support to Garbage Collection in Poblacion (MRF)	230,000.00	230,000.00
3. Maintenance and Rehabilitation of Water System	300,000.00	300,000.00
4. Counterpart to BUB Project (Tangeb to Mananara)	1,500,000.00	1,500,000.00
5. Removal of Slides, clearing of road bed repair from Abubutok to Baloang	1,000,000.00	1,000,000.00
6. Removal of Slides, clearing of road bed repair from Balaoang to Poblacion	1,401,514.38	1,401,500.00
7. Removal of Slides, clearing of road bed repair from Poblacion to Talampac	600,000.00	600,000.00
8. Removal of Slides, clearing of road bed repair from Poblacion to Pacoc-Buneg	1,110,000.00	1,110,000.00
9. Road Re-opening of Balaoang Road	1,000,000.00	1,000,000.00
10. Removal of Slides clearing and road bed repair Lan-ag vira road	550,000.00	550,000.00
11. Construction of LabLabinag Cable Foot Bridge	750,000.00	750,000.00
12. Rehabilitation of Talipugo Cable Foot Bridge	250,000.00	250,000.00
13. Opening of upper Poblacion to Bangbang	1,550,000.00	1,550,000.00
14. Clearing Maintenance /Improvement of Footpath and Foot bridges	1,300,000.00	1,300,000.00
15. Maintenance and Rehabilitation of Irrigation system	600,000.00	600,000.00
Total	₱ 12,441,514.38	₱ 12,441,500.00

Scope of Audit

The audit covered the operations of the Municipality for the year 2016. The objectives of the audit were to ascertain the fairness and reliability of the Municipality's financial position, and financial performance; and to determine whether the plans, programs, and activities for the year were attained in an efficient, economical, and effective manner. We also conducted compliance audit to check on the legality and propriety of the transactions and compliance with applicable laws, rules and regulations.

Auditor's Report on the Financial Statements

We rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following reasons:

1. The non-submission of disbursement vouchers totaling ₱5,154,139.30 precluded the Audit Team in verifying the accuracy and reliability of the balances of the affected accounts as presented in the Financial Statements;
2. The non-preparation/non-maintenance of various budgetary reports resulting in the non-verification of the legality and validity of the disbursements and the related savings thereof as presented in the SCBAA;
3. The existence, valuation and condition of Property, Plant and Equipment (PPE) with a book value totaling ₱32,067,401.32 as well as its local road networks could not be ascertained due to the non-conduct of physical count;
4. Management failed to initiate action with regard to the absence of supporting documents for its dormant receivables totaling ₱3,055,401.35;
5. Utilization/Distribution of medicine and agricultural supplies procured totaling ₱937,494.35 remained unsupported with sufficient relevant documentations;
6. The absence of Transfer Certificates of Titles (TCT) for Land Accounts recorded in the books amounting to ₱395,060.00 as well as the unreconciled discrepancy of ₱376,520.00 between the balances per Financial Statement and Tax Declaration documents; and
7. The Due to National Government Agencies account totaling ₱1,348,157.00 was carried over in the books and remained dormant for eight (8) years, the purpose of which and corresponding cash funding could not be determined if still intact.

Summary of Significant Audit Observations and Recommendations

The following are the other significant findings and recommendations noted in audit, which was discussed in an exit conference, and detailed in Part II of this report:

1. *Compliance with relevant provisions of various National Government Agencies with regard to the utilization of the funds downloaded to the LGU for Bottoms Up Budgeting Projects were not faithfully adhered due to various noted lapses in its conduct and implementation.*

We have recommended the following:

- a. The Municipal Mayor instructs the responsible officials to justify the noted lapses. The detailed engineering designs, permits and surveys should be submitted immediately for review and evaluation. The required tests of the infrastructure projects should also be conducted in compliance with the DILG Memorandum Circular;
 - b. The Municipal Mayor instruct the Municipal Accountant and Treasurer to submit disbursement vouchers including its required supporting schedules on time so as to provide ample time for the audit team to request inspection of the infrastructure projects;
 - c. The Municipal Mayor instruct the project focal person to coordinate with the Department of Health to secure copy of the MOA or fund utilization guidelines of the project;
 - d. The Municipal Mayor instruct the project focal person for the implementation of BUB projects for CY 2016 to provide supporting documents that the revision in the project description was duly approved by the DBM, otherwise said amount would be disallowed in audit.
2. *Various documentary requirements to verify compliance of the LGU to various regulations on the utilization of the Municipal Share from Tobacco Excise Tax totaling ₱12,571,606.00 remained unsubmitted precluding the audit team in verifying the extent of compliance of the LGU with regard to its proper implementation.*

We have recommended the following:

- a. That management communicate with the Department of Budget and Management (DBM) in order to provide copies of the Notice of Authority to Debit Account Issued (NADAI);
- b. The Municipal Mayor instruct the Municipal Accountant and Treasurer to locate and submit immediately all unsubmitted disbursement vouchers including its required supporting documentations;
- c. The Municipal Mayor instructs the Municipal Engineer to justify the non-completion of the infrastructure projects on time and require that liquidated damages be computed and enforced on the same; and
- d. Henceforth, ensure that all disbursements are properly supported and submitted to this office on the tenth (10th) day of the ensuing month for review and evaluation. Likewise, the Municipal Engineer or inspectorate team ensure that the contractors comply with the provisions of the contract with regard to the completion of the project

3. *Development projects which will benefit the constituents for a longer period of time were sacrificed or lessened due to the implementation of infrastructure projects with no permanent benefit totaling ₱9,061,500.00. Also, projects totaling ₱11,726,010.00 were lacking of supporting documents thereby casting doubt as to the validity of the projects.*

We have recommended that Management:

- a. Submit the lacking documents on the 20% Development Fund Projects for review and evaluation and henceforth, payments should be made only after the issuance of certificate of completion as well as inspection reports by the Municipal Engineer;
 - b. Revisit the DILG-DBM Joint Memorandum Circular No. 2011-1, as amended, on the expenditure items not covered or are prohibited to be paid out of the 20% Development Fund for guidance; and
 - c. Henceforth, ensure that all priority projects as identified by the Local Development Council be implemented in order to achieve desired goals as well as uplift the quality of life of its constituents.
4. *Local Ordinance creating the Disaster Risk Reduction and Management (DRRM) Office including the required staffing/personnel was not enacted, vulnerability and adaptation assessment was not conducted and that provision for search and rescue equipment and stockpiles calamity victims were not properly disclosed.*

We have recommended that management justify the non-creation of LDRRM Office, non-hiring of the required staff, non-provision for the procurement of disaster preparedness equipment, non-conduct of vulnerability and adaptation assessment, as well as submit liquidation reports for stockpiles distributed to calamity stricken constituents.

Summary of Total Suspensions, Disallowances, and Charges

As of December 31, 2016, unsettled suspensions totalled ₱83,935.00, while there were no unsettled disallowances and charges.

Status of Implementation of Prior Years' Audit Recommendations

Of the 16 audit recommendations embodied in CY 2015 Annual Audit Report, one (1) was partially implemented and 15 were not implemented. While out of the 11 audit recommendation in CY 2014, 9 were not implemented, 1 was partially implemented and 1 was fully implemented.