

## EXECUTIVE SUMMARY

### A. Introduction

The Municipality of Sta. Barbara was created by virtue of Governor General Decree/Order dated October 30, 1741. When a substantial number of its residents were converted to Christianity, the Dominican missionaries built a church and named the place Sta. Barbara De Tolong in 1741. In the course of time, its residents dropped its native name Tolong and Sta. Barbara got its name after its Patron Saint.

At present, it is classified as first-class Municipality and is fast in becoming a center of trade and industry although it is basically an agricultural town.

### Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of the Municipality of Sta. Barbara for the calendar year 2016. The audit consisted of review of operating procedures, inspection of the Municipality's programs and projects, interview of officials and employees, verifications of accounts, and such other procedures considered necessary under the circumstances.

The audit was conducted to ascertain the propriety of transactions, agency's compliance to prescribed rules and regulations and accuracy of its financial reports. A Value for Money (VFM) Audit was also undertaken on selected areas. The audit aimed to ascertain whether goals and objectives were attained in terms of economy, efficiency and effectiveness.

### Operational Highlights

The most significant accomplishments of the Municipality for the year 2016 are as follows:

<u>Project/Program</u>	<u>Actual Cost</u>	<u>Status</u>
1. Concreting of Farm to Market Road from Existing PCCP to Guam, Leet, Sta. Barbara	5,438,594.50	Completed
2. Concreting of Farm to Market Road, PCCP to boundary Guam, Leet,Sta. Barbara	4,191,849.59	Completed
3. Concreting of Farm to Market Road (Banzal Bridge to Leet Main Road	3,466,874.93	Completed
4. Concreting of Barangay Roadline at Sitio Visperas and Calay, Minien West and Tuliao	3,014,587.16	Completed
5. Concreting of Farm to Market Road from Irrigation canal main road to boundary Primicias, Mapandan & repair of Farm to Market road, Leet, Sta. Barbara	2,966,011.47	Completed

## B. Financial Highlights

Presented below are the financial position, sources of funds, appropriations and obligations of the Municipality during the calendar year 2015.

	<u>2016</u>	<u>2015</u>	<u>Increase/(Decrease)</u>	<u>%</u>
Assets	453,731,698.00	378,805,774.27	74,925,923.73	19.78
Liabilities	124,187,180.10	141,911,808.65	(17,724,628.55)	12.49
Government Equity	329,544,517.90	236,893,965.62	92,650,552.28	39.11
Income	191,793,978.85	171,133,052.95	20,660,925.90	12.07
Expenses	166,232,881.01	128,637,907.59	37,594,973.42	29.22
Appropriations	202,462,572.61	185,671,418.21	16,791,154.40	9.04
Obligations	177,327,217.22	152,334,308.62	24,992,908.60	16.41

## C. Auditor's Opinion on the Financial Statements

A qualified opinion has been rendered on the fairness of the presentation of the financial statements as the balance of the Property, Plant and Equipment (PPE) with book value of P470,375,760.98 as of December 31, 2016 was not reconciled with the Property Records due to incomplete Report on the Physical Count of PPE and subsidiary ledger cards were incomplete and not updated, thus accuracy and existence of the PPE account could not be ascertained.

## D. Significant Findings and Recommendations

Hereunder are some of the significant audit findings and the corresponding recommendations which were discussed with the Management during the exit conference. Management comments were incorporated in the report, where appropriate.

1. Cost of the Slaughterhouse building was included in the Market account and not recognized in the books of the Municipality which is not in accordance with the provisions of COA Circular No. 2015-009 dated December 1, 2015, thus affecting the accuracy of the Property, Plant and Equipment.

We have recommended that the Local Chief Executive instruct the Municipal Accountant to verify and determine the cost of the Slaughterhouse building and make the necessary adjustments in the books in order to reflect the correct cost of the market building and slaughterhouse building in the financial statements.

2. Municipality has several insurable properties with book value of P149,559,383.72 but were not covered by insurance with the Government Service Insurance System (GSIS) which is not in keeping with Section 5 of Republic Act No. 656; hence, leaving its properties at risk of loss without indemnification.

We have recommended that the Local Chief Executive instruct the Municipal General Services Officer to furnish the GSIS with a copy of the latest inventory report with

complete list of all insurable properties and other required documents to secure insurance coverage of these properties. We have also recommended that the Administration observe strict compliance with the provision of Section 5 of RA 656 to ensure that the Municipality will be indemnified for property damages or losses caused by fire, earthquake and other covered calamities.

3. Municipality did not allocate one percent (1%) of its Internal Revenue Allotment for the strengthening and implementation of the programs of the Local Councils for the Protection of Children (LCPC) for the prevention of juvenile delinquency which is not in consonance with Section 15, Chapter I, Title III of R.A. 9344.

We have recommended that the Municipal Mayor require the Municipal Budget Officer to allocate 1% of the IRA for the implementation of programs of the LCPC in compliance with Section 15 Chapter I, Title III of R.A. 9344 to prevent juvenile delinquency.

4. No Real Property Tax (RPT) and Special Education Tax (SET) Receivables had been set-up by the Municipal Accountant due to the failure of the Treasury Office to furnish the Accounting Office of a duly certified list of taxpayers including the amount due and collectible for 2016, thus, not in conformity with Section 20, Vol. I of Manual on the New Government Accounting System (MNGAS), thus the amount in the RPT/SET Receivables account not reflective of the actual collectibles of the municipality at year-end.

We have recommended that the Local Chief Executive require the Municipal Treasurer to prepare and furnish the Accounting Office the certified list of real property tax receivables as required in Section 20 of MNGAS which shall serve as the basis in setting-up the Real Property Tax/Special Education Tax Receivables by the Municipal Accountant in the books of accounts in order to have a more reliable amount of the accounts.

#### **E. Statement of Audit Suspensions, Disallowances and Charges (SASDC)**

The Notice of Suspension had a balance of P20,000,000.00 while Notice of Disallowance amounted to P731,850.00 as of December 31, 2016.

#### **F. Status of Implementation of Prior Year's Audit Recommendations**

Of the eight audit recommendations embodied in the 2015 AAR, five were implemented and three were partially implemented by the Municipality.