

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Laur was formerly known as Barrio “San Esteban”. It was created as Municipality pursuant to Executive Order No. 98 dated December 23, 1916 which took effect on January 1, 1917. It consists of 17 barangays. The municipality’s base industry is agriculture.

As mandated under the Local Government Code of 1991, the municipality has the following purposes: (1) provide basic services to its constituents; (2) accelerate its economic development; (3) upgrade the quality of life of the people; and, (4) be an effective partner in the attainment of national goals.

At present, the municipality is headed by Mayor Alexander A. Daus with the able assistance of the Sangguniang Bayan and 11 departments/offices responsible to carry out the designed plans and programs toward the attainment of its goals.

The audit covered the financial transactions and operations of the Municipality of Laur, Nueva Ecija for the year ended December 31, 2016. The objectives of the audit were to (a) ascertain the level of assurance that may be placed on management’s assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year’s audit recommendations.

B. Financial Highlights

The following comparative data show the financial position, results of operations and application of funds of the Municipality of Laur for the years 2015 and 2014.

	2016	2015	Increase /(Decrease)
Financial Status			
Assets	260,526,141.42	204,662,198.32	55,863,943.10
Liabilities	117,880,556.53	100,598,849.57	17,281,706.96
Government Equity	142,645,584.89	104,063,348.75	38,582,236.14
Results of Operation			
Income	114,292,784.06	109,493,687.90	4,799,096.16
Expenses	86,781,672.18	90,515,670.82	(3,733,998.64)
Excess of Income Over Expenses	27,511,111.88	18,978,017.08	8,533,094.80
Sources and Application of Funds			
Appropriations	112,854,073.17	113,966,192.12	(1,112,118.95)
Obligations	96,355,453.72	98,879,556.14	(2,524,102.42)
Balance	16,498,619.45	15,086,635.98	1,411,983.47

C. INDEPENDENT AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of the presentation of financial statements for reasons stated in the Independent Auditor's Report, such as:

- (a) the balances of the Property, Plant and Equipment (PPE) accounts as of year-end amounting to ₱122,093,627.61 remained unreliable due to (1) non-maintenance of property records; (2) inclusion to the PPE accounts of missing items valued at ₱497,699.00; and 3) unreconciled difference of ₱35,087,608.99 million between the balances per books and the inventory reports contrary to Sections 114 and 119 of NGAS Manual, Volume I of the LGUs and Section V of COA Circular No. 180-124. Moreover, unserviceable government assets were still undisposed by the Municipality with a recorded value of ₱3,403,891.51 contrary to COA Circular No. 88-296 resulting in overstatement of assets accounts; and
- (b) the accuracy and reliability of the receivable accounts, Real Property Tax and Special Education Tax, totaling to ₱66,379,269.24 as of year-end could not be ascertained due to the absence of duly certified list showing the name of taxpayers and the amount due and collectible for the year contrary to Section 20 of the NGAS Manual, thus rendering the collection targets unrealizable. Moreover, the Municipality recorded a low collection efficiency of 6.27% owing to lack of intensive tax campaigns and non-enforcement of remedies against delinquent taxpayers as provided under Section 254 (a) of R.A. No. 7160 or the Local Government Code.

For the above exceptions, we recommended the following courses of actions:

- Unreliability of PPE accounts
- (a) We recommended that the management to: a) mobilize additional competent personnel to facilitate the completion of the physical count of all PPE items and locate the missing documents that could shed light to the unreconciled balances between their records; b) strengthen the controls on the handling and recording procedures for the PPE by performing a periodic reconciliation of the records of the accounting, the property and actual inventory results; c) investigate the causes for the missing/unaccounted PPE items including those not found on site and identify and the persons deemed liable thereof; d) identify all unserviceable properties and equipment, keep them on a secure or "bodega" and disperse them within reasonable time; e) continue the preparation and maintenance of property cards and property ledger cards; and f) properly label the properties and equipment owned by the agency showing the details such as the property name, property number, date acquired, acquisition cost and location of the item.

- Unascertained accuracy and reliability of Real Property and SEF Tax Receivables

(b) We recommended that the Local Chief Executive require the: a) Municipal Treasurer to furnish the City Accountant a duly signed certified list showing the name of taxpayers and the amount due and collectible every beginning of the year for recording purposes; b) City Accountant to draw a JEV to record the RPT/SET receivables based on the certified list from the Office of the City Treasurer and ensure that the recorded receivables are based on actual reference documents; c) involvement of barangay officials in the tax campaign to reach out to a larger area; and d) intensification of tax collections thru formulating strategies to improve collection of real property taxes.

D. OTHER SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. Land account balance of P11,546,634.17 as of December 31, 2016 was unreliable due to (a) non-presentment of copy of Transfer Certificate of Titles (TCT) or any proof of ownership; and (b) non-registration of one (1) lot in favor of the Municipality contrary to Section 39 (2) of Presidential Decree 1445 and Section 449 of Government Accounting Auditing Manual, Volume I. (*Observation No. 2*)

We recommended that the management: a) locate the titles of the other lands listed in the Summary of Owned Lands provided by the Office of the Assessor, to properly safeguard the interest of the government; b) ensure that the immediate registration and titling of the subject parcels of land in the name of the municipality are undertaken; c) funds would be allocated for incidental expenses to be incurred in the consolidation of titles; d) reconciliation between the records and documents on file between the Offices of Accounting, Treasurer's and Assessor's would be done regularly to ascertain that the balance recorded in the books of the LGU is valid and accurate.

2. The Special Education Fund (SEF) with an aggregate amount of P331,760.03 was utilized for expenditures other than those authorized under Section 100(c) of the Local Government Code of 1991 and DECS/DBM/DILG Joint Circular No. 01 s. 1998 dated April 14, 1998 which resulted in the decreased allocation for priority projects, programs and activities such as construction and repair of school facilities. (*Observation No. 4*)

We recommended that the management prepare a balanced budget with conscious and concerted efforts of observing compliance with the legal and regulatory requirements on SEF budgeting, allocation and utilization and refrain from accommodating expenditures for activities for which the DepEd has the direct mandate to execute.

3. The Municipality engaged the services of 20 consultants, who have no technical or professional expertise while their services could be performed or provided by regular plantilla personnel thus, contract costs totaling ₱928,000.00 were deemed unnecessary expenditures in violation of the pertinent provisions of the IRR of RA No. 9184, 2012, COA Circular 2012-003 dated October 29, 2012 and DBM National Budget Circular No. 433 dated March 1, 1994. Moreover, complete documentary requirements for payments to consultants were not observed in violation of COA Circular 2012-001 dated March 22, 2012. (*Observation No. 5*)

We recommended that the management: a) terminate the contracts of the consultants whose services are only duplication of the functions of regular employees or whose works could be performed by existing plantilla personnel; b) engage only experts in their respective fields while observing rules and regulations on the hiring of consultants as provided by IRR of RA No. 9184, COA Circular 2012-003 dated October 29, 2012 and DBM National Budget Circular No. 433 dated March 1, 1994. and (iii) support payments for consultancy services with adequate documentation; and c) amend the contracts of the consultants to properly match that of the needs of the LCE or any officials needing assistance thereof to eliminate the dubious nature of hiring said consultants.

4. Deficiencies were noted on hiring Job order/Contract of service personnel which cast doubt on the necessity and propriety of relative disbursements amounting to ₱7,736,590.00, contrary to Section 77 of R.A. No. 7160, Section 2, Rule XI of the Revised Omnibus Rules on Appointments and Other Personnel Actions, under CSC Memorandum Circular No. 40, Sections 4 (6) and 112 of P.D. No. 1445 and COA Circular No. 2004-008 dated September 20, 2004. (*Observation No. 6*)

We recommended that the management instruct the Human Resource & Management Officer to: a) refrain from employing of Job order/Service contract personnel whose nature personnel were in the administrative, clerical or utility functions; (b) necessary and appropriate supporting documents will be attached to the disbursement vouchers to establish validity and propriety of claims; and c) ensure that hiring of Job order/Service contract personnel will be based on necessity identified/attribution to specific local projects authorized by the Sanggunian for a period not exceeding six months.

5. In the absence of DBM's certification of non-availability of stocks, the municipality procured common-use supplies amounting to P1,150,874.83 from local supplier instead to DBM Procurement Service contrary to Section 4 of Administrative Order No. 17 dated July 28, 2011, thus, cast doubt on the efficiency and economy of purchases made. It failed to prepare and submit the Procurement Monitoring Report (PMR) for CY 2016 to the Government Procurement and Policy Board (GPPB) in violation of Section 12.2 of the

Revised Implementing Rules and Regulations (RIRR) of R.A. 9184 otherwise known as the Government Procurement Act, thus deviations from the procurement standards could not be identified and corrected. (*Observation No. 7*)

We recommended that the management: a) strictly comply with Section 53 (e) of the IRR of RA 9184. Procurement of common-use supplies be first referred to the PS-DBM before resorting thru other mode of procurement; b) require the Municipal Bids and Awards Committee (BAC) to prepare and submit to the GPPB the Procuring Monitoring Report in printed and electronic format within fourteen (14) calendar days after the end of each semester in compliance with Section 12.2 of the 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184.

6. Copies of contracts and purchase orders entered into by the municipality and delivery receipts/invoices were not submitted within the prescribed period contrary to COA Circular No. 2009-001 and 2009-006, respectively. Thus, hampering the timely review of the same and inspection of delivered items. (*Observation No. 8*)

We recommended that management furnish the Auditor with the required copies of contract/purchase orders and their supporting documents. Likewise, notices of deliveries of procured items within the prescribed period for the timely review, evaluation and inspection to be made.

7. The Municipality did not substantially comply with the provisions of Republic Act No. 9003 or the Solid Waste Management Act of 2000 on the formulation and implementation of ecological solid waste management plans and programs, thus total protection of the environment and general welfare of the constituents have not been attained. (*Observation No. 9*)

We recommended that the management coordinate with the Sangguniang Bayan for the enactment and passage of Municipal Ordinances that would enforce the implementation of the five basic environmental laws on the preservation and protection of the environment required under R.A. No. 9003 and request the Municipal Solid Waste Management Board to prioritize the implementation of the ten-year SWMP for the early identification of issues/gaps in complying with RA No. 9003 and the prompt resolution thereof. Likewise, they will ensure full and efficient implementation of the prioritized solid waste management projects and activities covered by regular appropriation.

8. The Municipality complied with the provision of Republic Act (RA) No. 7192 and Joint Circular No. 2004-1 of DBM/NEDA/NCRFW regarding the formulation of an over-all Gender and Development (GAD) Plan and Budget for CY 2016. (*Observation No. 10*)

We recommended that management continue its compliance with the provision of Joint Circular No. 2004-1 of DBM/NEDA/NCRFW to ensure that GAD related activities will be duly funded and properly addressed for a sustained implementation of said program.

9. The municipality was generally compliant with the provisions of RA No. 10121, otherwise known as the “Philippine Disaster Risk Reduction and Management Act of 2010”. (*Observation No. 11*)

We recommended that the management comply with the provisions of RA No. 10121 regarding the funding and implementation of program/activities related to support the municipality’s disaster risk reduction and management system.

10. The Municipality complied with the provisions of the National Internal Revenue Code, as amended, and various issuances of the Bureau of Internal Revenue (BIR), particularly on the withholding/deduction of the required taxes from claims of various suppliers/contractors, as well as those from the salaries and other emoluments of its employees for the Calendar Year 2016. (*Observation No. 12*)

We recommended that the management withhold all taxes due to BIR and to remit the same within the prescribed period in compliance with Revenue Regulations No. 2-98 of the Bureau of Internal Revenue.

11. The Municipality was generally compliant regarding deductions of GSIS premiums from its employees, as well as its prompt remittances to the GSIS-Cabanatuan City Branch. (*Observation No. 13*)

We recommended that management continue to comply with the provisions of Republic Act No. 8291 regarding the proper deductions of GSIS premiums from its employees and its timely remittance to GSIS.

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

As of December 31, 2016, the municipality had unsettled disallowances totaling P52,274.49.

F. STATUS OF PRIOR YEAR’S UNIMPLEMENTED AUDIT RECOMMENDATIONS

Monitoring and evaluation of the management action on the 19 recommendations contained in the CY 2015 Annual Audit Report revealed that nine (9) was fully implemented, three were partially acted upon while the remaining seven (7) were not implemented.