

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Sto. Tomas was named after St. Thomas Aquinas, the high priest of the Dominican Religious Order in 1666. The Municipality of Sto. Tomas is a first class Municipality composed of 30 barangays. It is located in the northeastern portion of the Province of Batangas, bounded on the north by the City of Calamba, on the northeast by the Municipalities of Los Baños, Bay and Alaminos, on the west portion of Tanauan City. It has a distance of 60 kilometers from Manila and 45 kilometers from Batangas City, the provincial capital.

Sto. Tomas is within the 3rd District of Batangas and serves as a gateway to the Province of Batangas and other southern provinces like Mindoro, Quezon and Bicol. Likewise, it is also the entry of the Southern Tagalog Access Road (STAR) that goes to Batangas City and the modern Batangas International Port. Sto. Tomas comprise approximately 10 thousand hectares of land and its population based on the certification provided by Philippine Statistics Authority with reference No. 15SSSS-DHSD-244 ranges from 149,000 to 159,900 for the year 2015.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Municipal Mayor	Edna P. Sanchez
Vice-Mayor	Armenius O. Silva
Members of the Sanggunian:	Florence M. Mabilangan
	Catherine J. Perez
	Renante V. Arcillas
	Leovino M. Villegas
	Gerardo M. Malijan
	Cresenciano E. Ramos Jr.
	Arlene F. Mañebo
	Peter Thomas R. Reyes
	Wilfredo M. Maliksi
Municipal Treasurer	Dorothy M. Malasique
Municipal Accountant	Neil R. Panganiban

b. No. of Personnel Complement

Permanent	265
Elective	11
Coterminous	23
Contractual	16
Casual	94
Job Order	<u>313</u>
Total	<u>722</u>

Financial Highlights

The funds of the Municipality for Calendar Year (CY) 2016 totaling ₱539,866,095.32 were sourced from local taxes, permits and licenses, service and business income and internal revenue allotment. To carry out the projects, programs and activities of the Municipality, the appropriations and allotment for CY 2016 totaled ₱1,062,218,236.03, while the obligations at the end of the year amounted to ₱622,090,509.86, leaving a balance of ₱440,127,726.17. The total assets, liabilities, equity, income and expenses for CY 2016 are as follows:

	CY 2016	CY 2015	Increase (Decrease)
Assets	₱1,589,125,512.81	₱1,839,900,172.09	(₱250,774,659.28)
Liabilities	294,331,369.61	644,210,287.39	(349,878,917.78)
Equity	1,294,794,143.20	1,195,689,884.70	99,104,258.50
Revenue	594,698,328.99	560,434,005.39	34,264,323.60
Expenses	406,337,306.27	418,496,815.09	(12,159,508.82)

Scope of Audit

Financial, compliance and value for money audits were conducted on the accounts and operations of the Municipality for CY 2016. The audit was conducted to ascertain the fairness of the presentation of the financial statements and compliance of the Municipality with laws, rules and regulations as well as the economical, efficient and effective utilization of resources.

Audit Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality as of December 31, 2016 due to the following:

1. Unreconciled difference of ₱131,585,967.58 between the balance per books and Inventory Report rendered the Property Plant and Equipment (PPE) accounts doubtful of validity contrary to Section C.3 Chapter V of the Manual on Property Custodianship.
2. Road Networks and Other Infrastructure projects implemented during the year totaling ₱ 69,043,415.03 were not capitalized but closed to Government Equity contrary to COA Circular No. 2015-008 thereby understating the Property, Plant and Equipment (PPE) and Government Equity accounts. Further, the 25 percent requirement for the inventory of Local Road Network was not undertaken during the year.
3. The recorded receivables from waterworks totaling ₱29,212,599.60 as of December 31, 2016 was not reliable since it did not reconcile with the schedule of receivables prepared by the Billing Section, and overstated due to

the inclusion of receivables from free-water consumers. Further, legal remedies were not undertaken to collect from delinquent thus receivables continue to accumulate.

4. Dormant receivables totaling ₱312,735.83 remained uncollected yet proper remedy was not undertaken to rid the books of the Municipality of the dormant receivables contrary to COA Circular No. 2016-005.
5. The account Textbook and Instructional Materials for Distribution was overstated and the corresponding expense account was understated by ₱1,095,288.00 due to the inclusion of textbooks in the inventory despite issuance and distribution thereof by the General Services Officer (GSO) contrary to COA Circular No. 2015-009. Further, Other Supplies and Materials Inventory account was doubtful of validity due to presence of inventory accounts acquired as early as 2005 wherein the condition or status is not known.

Significant Observations and Recommendations

For the deficiencies cited above, we recommended:

- a. that the Municipal Mayor:
 - instruct the GSO to prepare an Inventory and Inspection Report for Unserviceable Property (IIRUP) to record all unserviceable properties for their eventual disposal;
 - direct the Inventory Committee to properly classify all the equipment in their respective account classification based on the new accounts prescribed by the Commission on Audit (COA), determine the cause of the variance of ₱131,585,967.58 and strive for the reconciliation of the PPE between the inventory and accounting records; and
 - instruct the Municipal Accountant to record the donated vehicles based on the fair value of the vehicles at the time of donation and reclassify the program design for the municipal data network and disaster management system to the proper account Computer Software.
- b. that the Municipal Mayor:
 - direct the Municipal Accountant to transfer all road networks carried in the registry to the books of accounts, keep and maintain subsidiary records for roads and road components for every road network and prepare lapsing schedule for the computation of the depreciation for each component in accordance with the above schedule;

- direct the GSO to render a report on Local Road Network of the municipality and the Inventory Committee the Report on the Physical Count of the Road Network System of the municipality in accordance with the above schedule; and
 - direct the Municipal Engineer to provide the Local Accountant and General Services Officer with the complete description and cost segregation of road components for road projects.
- c. that the Municipal Mayor:
- direct the Sanguniang Bayan (SB) define or clarify the condition for the entitlement of free water for free water concessionaire, and up to what level of affinity from the donor, otherwise, if it is not possible due to the condition cited in the MOA or Deed of Donation, receivables from them should not be included in the system and in the recorded receivables;
 - direct the employees from the Waterworks Operation and the Office of the Municipal Treasurer to exert more efforts in the collections from delinquent water consumers;
 - follow-up from the homeowner's association and private companies the payment for production assessment; and
 - initiate the necessary legal actions thru the Municipality's Legal Officer, if any, against defaulting consumers in order to enforce collection of long overdue receivables.
- d. that the Municipal Mayor direct the Municipal Accountant to prepare all the documentary requirements in the writing-off of the dormant receivables totaling ₱312,735.83 as stated in COA Circular No. 2016-005 and submit the same to the Commission on Audit to rid the books of unreliable receivable account balances.
- e. that the Municipal Mayor direct:
- the Municipal Accountant to effect the necessary adjustment crediting the account Textbook and Instructional Materials Inventory for the cost of books which were already issued based on the Acceptance Report submitted by the GSO;
 - the GSO to locate the books, NAT and NCAE from the concerned schools, issue the corresponding Acceptance Report and submit the report to the Accounting office to serve as basis in adjusting the inventory account; and

- the GSO to determine the status or condition and whereabouts of the other Supplies and Materials Inventory account and prepare the necessary reports such as Acceptance Report, Acknowledgement Receipt, Waste Materials Report, Requisition and Issue Slips or other records to prove issuance and submit the same to the Accounting Office for proper adjustment of the inventory account.

Summarized below are the other significant observations and the corresponding recommendations:

1. Various government buildings in the General and Special Education Funds with total book value of ₱126,348,095.83 and ₱312,032,242.51, respectively, and motor vehicles totaling of ₱11,462,200.00 were not insured with Government Service Insurance (GSIS) General Insurance Fund contrary to Section 5 of Republic Act (RA) No. 656 and Section 1 of Administrative Order (AO) No. 33 thus the government is at risk of not being indemnified in case of any damage or loss due to any fortuitous events such as fire, earthquake, typhoon and / or flood.

We recommended that the Municipal Mayor instruct the GSO personnel to make full inventory of all the vehicles which are not yet insured and cause the processing of their insurance from the GSIS. Likewise, provide adequate insurance coverage for all the government buildings in the General and Special Education Funds to guarantee indemnification in case of occurrence of catastrophic perils.

2. The 20 percent Development Fund was not optimally utilized as prescribed by Department of Interior and Local Government (DILG)-Department of Budget and Management (DBM) Joint Memorandum Circular No. 2011-1 dated April 11, 2012 due to non-implementation of planned projects amounting to ₱3,658,400.20 thereby depriving the constituents of the benefits had the fund been used for meaningful and development rooted programs and projects.

We recommended that the Municipal Mayor require the Local Development Council to conduct feasibility of all the projects included in the 20 percent development fund to avoid delay in the implementation caused by site location and inaccurate program to maximize the implementation of projects funded out of the 20 percent Development Fund to ensure that the full intention of development would benefit all its constituents and carefully chose each project to be included in the planned program.

3. The Municipality's GAD Focal Point System (GFPS) and GAD Technical Working Group (TWG) failed to establish and maintain a GAD Database System and Sex-disaggregated Data and Statistics, in violation of Section 4(b) of Joint Memorandum Circular No. 2013-01 of the DILG, DBM, National Economic Development Authority (NEDA) and the Philippine Commission on Women (PCW) resulting in outdated basis in performance-based gender-

responsive planning that deprived the LGU of an effective programming and policy formulation, program designing and decision making for the benefit of its constituents.

We recommend that the Municipal Mayor direct the GAD Focal Point Person to establish a GAD Database and Sex-disaggregated data as required under Section 4(b) of Joint Memorandum Circular No. 2013-01 of the DILG, DBM, NEDA and the PCW in order to create well defined programs and projects that are best suited to the need of its constituents.

4. Three activities in the GAD Plan with budget of ₱275,000.00 were not implemented, thus failed to address their respective gender issues and contribute to poverty alleviation, economic empowerment, especially, of marginalized women, protection, promotion and fulfillment of women's human rights, and the practice of gender responsive governance. Furthermore, expenses totaling ₱13,291,874.15 were utilized for non-GAD activities, thus depleting the fund for more gender responsive activities.

We recommended that the Municipal Mayor direct the GAD Focal Point Person to properly monitor and report regularly the status of implementation of the activities stated in the Gender and Development Plan in order to address the gender issues. Ensure that the programs and projects included in the GAD Plan are gender responsive processes, procedures are properly followed and other factors that would affect the implementation must be considered to avoid problems when it comes to implementation. Likewise, utilize the fund solely for GAD related activities or to specific programs that are gender-responsive and are aligned to the GAD mandate. Submit justification on why the above programs are considered GAD related activities by the GAD Focal Point Persons.

5. The Municipality failed to fully implement the proposed projects and programs under Local Disaster Risk Reduction Management Fund (LDRRMF) Annual Budget/Plan resulting to under utilization of the fund amounting to ₱8,095,664.54 or 46.67 percent of the funds allocated for Disaster Mitigation and Prevention totaling ₱17,348,185.12 thereby, depriving the Municipality's constituents of the immediate benefits of the intended projects.

We recommended that the Municipal Mayor require the MDRRO along with the other implementing agencies such as GSO, Engineering Office and BAC to closely monitor the undertaking of the proposed projects funded out of LDRRMF so that projects, Programs and activities envisioned to strengthen the Municipality's capacity for risk reduction and management be fully implemented.

The other audit observations are presented in Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 17 prior year's audit recommendations embodied in the 2015 Annual Audit Report, seven were fully implemented, six were partially implemented and four were not implemented by the Municipality.