

EXECUTIVE SUMMARY

Introduction

The Municipality of Sampaloc was discovered during the Spanish era in 1873 and became a municipality in 1892. It is a fifth class municipality with 14 barangays situated between the Municipality of Lucban and Mauban, Quezon.

The Organizational Structure of the Municipality is as follows:

a. Key Officials

Mayor – Noel Angelo T. Devanadera

Vice Mayor – Francisco O. Abeja

Members of the Sanggunian:

1. Andrew O. Anareta
2. Teresita D. Villeno
3. Jan Paul D. Jarafa
4. Mayleen C. Dayo
5. Ricardo O. Dejel
6. Miriam O. Dayo

Municipal Accountant– Marilyn P. Epino

Municipal Treasurer – Cunegunda S. Lomboy

b. No. of Personnel Complement

Permanent	-	52
Casual	-	10
Elective Officials	-	11
Co-terminus	-	3
Job Orders	-	<u>36</u>
Total		<u>112</u>

Financial Highlights

The total income generated by the Municipality during the year amounted to P64,106,006.00, showing an increase of P5,231,137.00 as compared with P58,874,869.00 in year 2015, attributed to the significant increase in Internal Revenue Allotment.

For Calendar Year (CY) 2016, the current appropriation of the Municipality totaled ₱69,052,099.00 of which ₱61,521,679.00 was obligated, leaving a balance of ₱7,530,420.00.

The Municipality's financial condition and results of operations for CY 2016 and 2015 are summarized below and shown in detail in the attached audited financial statements.

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>
Total Assets	₱119,128,965	₱ 82,810,361	₱ 36,318,604
Total Liabilities	73,271,824	46,660,213	26,611,611
Total Net Assets/Equity	45,857,141	36,150,148	9,706,993
Total Income	64,106,006	58,874,869	5,231,137
Total Expenses	59,857,929	56,254,321	3,603,608

Scope of Audit

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

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements due to the following:

- Land account recorded in the books at ₱2,680,716.00 includes twenty one (21) parcels of land that were not supported with Transfer Certificate of Title in the name of the Municipality and three (3) parcels of land were registered in the name of a Municipal official and private persons, thus exposing the subject lots to possible third party claims.
- Ten (10) motor vehicles received as donations were not recorded in the books as of year-end due to the absence of fair values, contrary to PPSAS 17 resulting in the understatement of the Motor Vehicles account. Moreover, several motor vehicles were not yet registered in the name of the Municipality. Furthermore, unserviceable motor vehicles were not disposed.
- A Notice of Disallowance No. 2016-02-(2015) dated August 31, 2016 for 20% Development Fund in the amount of ₱244,973.57 was included in the Schedule of Accounts Payable as of December 31, 2016, instead of as Receivable – Disallowances/Charges, thus overstating the Accounts Payable as at year-end.

For the exceptions cited above, the Auditor recommended that the Municipal Mayor require the:

- Municipal Treasurer to continue exerting extra effort in retrieving documents required by Register of Deeds to facilitate the immediate titling of subject lots and registration in the name of the Municipality to avoid contingent claims that may arise in the future and in compliance with Section 39(2) of PD No. 1445 and Section 148 of COA Circular No. 92-386;
- Municipal Accountant to record all the vehicles which are already registered in the name of the Municipality whether serviceable or unserviceable to the appropriate asset accounts in compliance with PPSAS 17 for proper presentation in the financial statements;
- Appraisal Committee to expedite the appraisal of the vehicles to determine the fair values at acquisition dates for recording purposes;
- Designated Property Custodian to prepare Inventory and Inspection Report of Unserviceable Property (IIRUP) for the disposal of unserviceable motor vehicles in accordance with Section 79 of PD 1445;
- Municipal Treasurer to continue exerting more effort to facilitate the registration and transfer of the above Motor Vehicles in the name of the Municipality in accordance with Section 7 of RA No. 4136 and to locate the missing documents to expedite the registration and transfer of the same; and
- Municipal Accountant to adjust the Accounts Payable in accordance with the 2009 RRSA (COA Circular No. 2009-006 dated September 15, 2009).

Significant Observations and Recommendations

The other significant observations and the corresponding recommendations in the audit of the Municipality of Sampaloc for CY 2016 are as follows:

1. Loans Receivable-Others from 21 debtors totalling P348,560.00 remain uncollected for more than seven (7) years, contrary to Section 2 of PD No. 1445, thereby exposing the livelihood projects/programs to sustainability risk and may further result in the loss of government funds.

We recommended that the Municipal Mayor require the Office of the Municipal Treasurer to continue adopting efficient and aggressive collection strategies to enforce collection of the loan receivable accounts from the concerned beneficiaries to ensure the continuity of the livelihood project and give other prospective beneficiaries equal opportunity in availing capital for the livelihood program. Also, if all means failed, we recommended that the Municipal Mayor make a representation to the Sangguniang Bayan for the write off of the accounts receivables to the Commission on Audit regarding unpaid obligations of one farmer who passed away and can no longer pay the amount due to them, pursuant to COA Circular No. 2016-005.

2. The reconciliation of records between the Municipal Treasurer and the Municipal Assessor in CY 2016 which should have been done in previous years disclosed that delinquent real property taxes have already accumulated to P6,920,027.68 needing a

much improved collection efforts on the part of the Municipal Treasurer to generate more income which could be utilized for development programs and projects.

We recommended that the Municipal Mayor instruct the Municipal Treasurer to:

- exert more effort to enforce massive and strategize collections of delinquent real property taxes by conducting tax campaign and offering incentives of full payment of tax due.
- monitor the payment of real property taxes due for the current year and update the Real Property Tax Account Register (RPTAR), or impose the available remedies provided for under the Local Government Code.

Henceforth, we recommended that the Municipal Mayor require the Municipal Treasurer and the Municipal Assessor to keep their records reconciled at all times to regularly monitor the status of collection of current and delinquent real property taxes.

3. The Real Property Tax is still based on 2003 assessment levels as of December 31, 2016 due to the failure of the Municipal Assessor's Office to conduct general revision of real property assessment and classifications every three (3) years, depriving the Municipality of the opportunity to generate additional income from increased tax assessment, contrary to Section 219 of RA No. 7160.

We reiterated our recommendation that the Municipal Mayor instruct the Municipal Assessor to continue the representation to the Sangguniang Panlalawigan for the earliest approval of their request to conduct the general revision of assessment in order to update the current and previous taxable parcels for valuation and tax purposes in compliance with Section 219 of the Local Government Code of 1991 and to generate additional income from increase tax assessment.

4. Special accounts or subsidiary ledgers for the operation of economic enterprises were not maintained in the General Fund and financial statements for each economic enterprise were not prepared, contrary to Section 313 of RA No. 7160 and Sections 105 and 110 of the Manual on the New Government Accounting System (MNGAS), Volume I, thus depriving the Municipality of Sampaloc and the users of the financial statements of the vital information on their operations and utilization of funds.

We reiterated our recommendation that the Municipal Mayor:

- make a representation to the Sangguniang Bayan (SB) for the enactment or approval of the resolution for the creation of economic enterprises of the Municipality; and
- require the Municipal Accountant to maintain complete sets of subsidiary ledgers for each economic enterprise operated by the Municipality and prepare the required Financial Statements and supporting schedules in compliance with Section 313 of RA 7160 and Sections 105 and 110 of the MNGAS.

We further recommended that the Municipal Treasurer adopt other measures that would improve the income generation and ensure that collections/income is properly accounted for.

5. Electricity expenses totaling ₱65,538.54 of various elementary schools in the Municipality which were covered by DepEd's Appropriation were likewise charged to Special Education Fund (SEF). Also, these expenses were not included in the list of SEF priority spending stated in the provisions of R.A. 5447, Sections 100 and 272 of R.A. 7160 and DepEd-DBM-DILG Joint Circular Nos. 01, s. 1998, No. 01-A, s. 2000 and No. 01-B, s. 2001, thereby deterring the attainment of SEF objectives.

We recommended that the Municipal Mayor require the members of the Municipal School Board to:

- a. prepare a balanced budget with conscious and concerted efforts of observing compliance with the legal and regulatory requirements on SEF budgeting, allocation and utilization;
 - b. refrain from accommodating expenditures for activities for which the DepEd has the direct mandate to execute;
 - c. request for input from the DepEd officials or Schools Division Superintendent in the prioritization of SEF projects and expenditures in accordance with the DepEd criteria and with due regard to the provisions of laws, rules and regulations prescribing the limitations on the use of the fund; and
 - d. maximize the utilization of SEF to attain its objectives, monitor the implementation of the projects/programs and activities (PPAs), and take appropriate actions such as realignment or reprogramming, if necessary.
6. Supporting documents of all paid Disbursement Vouchers of the Municipality were not stamped "PAID" in violation of Section 1.Q of COA Circular No. 92-389 dated November 3, 1992 which may result to possible re-use of same documents for other claims of same nature.

We recommended that the Municipal Mayor instruct the Municipal Treasurer to strictly comply with the requirements stated under COA Circular No. 92-389 to prevent the possible re-use of those documents for other claims of same nature as part of a sound internal control system in the disbursement of funds.

7. The Municipality failed to prepare its Solid Waste Management Plan for the next ten years because the same is still in the process of gathering data for the said plan, contrary to Section 16 of RA No. 9003, hence the objectives of the Act are far from being achieved.

We recommended that the Municipality, through the Municipal Solid Waste Management Board, prepare its Solid Waste Management Plan for the next ten years and secure its approval from the National Solid Waste Management Commission.

The observations and recommendations were discussed with concerned Municipal officials and staff on June 14, 2017 and their comments were incorporated in the report, where appropriate.

Status of Implementation of Prior Year's Audit Recommendations

Of the 15 audit recommendations, eight were fully implemented, six were partially implemented and one was not implemented by the Municipality.