

EXECUTIVE SUMMARY

Introduction

The Municipality of Lubang was created by virtue of Republic Act No. 1280 dated June 04, 1905. It has sixteen barangays and classified as 4th class Municipality.

The Municipality of Lubang is strongly motivated and committed to achieve its vision under the dynamic leadership of honorable Mayor Roberto M. Sanchez. The Municipality is mandated to provide basic services to the constituents, implement various programs, projects and activities on agriculture, health, education and infrastructure development, and maintain peace and order within the community.

The audit covered the financial transactions and operations of the Municipality for the year ended December 31, 2016. The audit was conducted in accordance with Philippine Public Sector Standards on Auditing (PPSSA). The objectives of the audit were (a) to ascertain the degree of reliance on the management's assertions on the financial statements; (b) recommend measures to improve agency's operations; and (c) determine the extent of implementation of prior year's audit recommendations.

Financial Highlights

The following comparative data show the financial position, financial performance and the appropriation/allotment, obligations and balances for the calendar years 2015 and 2016.

	CY 2016	CY 2015	Increase (Decrease)
Financial Position			
Assets	₱362,532,639.16	₱186,318,111.76	₱176,214,527.40
Liabilities	61,572,978.04	42,101,107.26	19,471,870.78
Equity	300,959,661.12	144,217,004.50	156,732,656.62
Financial Performance			
Income	83,049,049.77	75,265,145.72	7,783,904.05
Expenses	84,668,541.09	76,496,826.92	8,992,386.48
Surplus(Deficit) for the period	(1,619,491.32)	(1,231,681.20)	(387,810.12)
Appropriations, Obligations and Balances			
Appropriations	88,162,102.47	84,309,035.33	3,853,067.14
Obligations	76,339,844.80	69,448,667.72	6,891,177.08
Balances	11,822,257.67	14,860,367.61	(3,038,109.94)

Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Municipality because the existence, completeness and valuation of the year-end balances of Inventories and Property, Plant and Equipment (PPE) accounts amounting to ₱617,470.00 and ₱282,373,470.52, respectively, could not be ascertained for failure of the Municipality to conduct physical inventory and maintain complete and updated perpetual inventory records.

For the exception above, we recommended that the (a) Municipal Mayor create an Inventory Committee who shall conduct physical count of all Inventory and PPE and submit the Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of Property, Plant and Equipment (RPCPPE) to the Office of the Auditor on time as prescribed by Section 124 of NGAS Manual, copy furnish the Municipal Accountant; (b) appoint a permanent employee who shall act as Supply Officer and maintain complete and updated perpetual inventory records which should always reconcile with the PPE general ledger balances; and (c) the Municipal Accountant reconcile the RPCI and RPCPPE with accounting records and examine any discrepancy between the accounting and Supply Officer's records to facilitate adjustment of the affected Inventory and PPE account balances for their fair presentation in the Statement of Financial Position.

Summary of Significant Observations and Recommendations

The following are the other significant observations and recommendations in the audit of accounts and transactions of the Municipal Government of Lubang, Occidental Mindoro for the year 2016:

1. Other Receivables account from loans granted to various individuals totaling ₱1,040,629.00 remained uncollected, thereby, affecting the continuity of livelihood programs and depriving other beneficiaries from availing capital assistance from the Municipality.

We recommended that the Municipal Mayor exert diligent efforts to cause the collection of loan receivables. Encourage the borrowers to pay their obligation, otherwise, they will be blacklisted and could no longer avail of other livelihood assistance from the LGU and other livelihood loans extended by other national government agencies in the future.

We also recommended that the Municipal Accountant conduct assessment on the existence of loss events that has an effect on the collectability of the receivables.

2. The necessity of hiring job order/contractual personnel and the reasonableness of payment of wages totaling ₱3,008,570.77 could not be established due to inadequate supporting documents.

We recommended that:

- The Municipal Accountant ensure that payrolls/claims are supported with complete and sufficient supporting documents to establish the validity and regularity of the payment of salaries of JO/contractual/consultants; and
 - The Human Resource Management Officer (a) review the existing personnel complement to establish the necessity of hiring of job order/contractual and consultants to eliminate duplication of functions and maximize the utilization of manpower services; and (b) ensure the prompt submission of job order contracts and contract of services together with their resume to the Auditor for evaluation and audit purposes.
3. Annual dues and registration fees paid to leagues totaling ₱94,600.00 were not duly acknowledged with the issuance of an official receipt of the Republic of the Philippines, contrary to Section 69 of the Government Accounting and Auditing Manual (GAAM) Volume 1.

We recommended that the Municipal Mayor direct other local officials and employees who are members of Leagues to require or demand the issuance of an official receipt of the Republic of the Philippines by the recipient Leagues concerned in order to support expenses for membership fees and annual dues, pursuant to Section 69 of the GAAM, Volume I.

4. Insurable properties of the LGU were not insured with the Government Service Insurance System (GSIS), contrary to Republic Act No. 656, otherwise known as Property Insurance Law, as amended by Presidential Decree (PD) No. 245 thus, the interest of the government was not protected against the risk of loss due to theft, fire, earthquakes, storms and other catastrophic events.

We recommended that the General Services Officer/Supply Officer secure insurance coverage with the Property Insurance Fund of the GSIS for all insurable assets of the Municipality to guarantee its indemnification/compensation in case of losses/ damages due to theft, calamities or any unforeseen events.

5. Deficiencies were noted in the award and implementation of 28 infrastructure contracts totaling ₱23,491,517.67 and the same were paid despite incomplete supporting documents, contrary to pertinent sections of Republic Act (RA) No. 9184 and its Implementing Rules and Regulation (IRR) and COA Circular No. 2012-001, thus, affected the regularity and propriety of the disbursements.

We recommended and the Management agreed that the:

- BAC members revisit the laws, rules and regulation on procurement of civil works and observe strict compliance therewith to ensure regularity of award of contracts;

- Accountable officers submit the lacking documents for proper evaluation including justification for non-compliance with existing rules and regulations; and
 - The Municipal Accountant check the completeness and propriety of supporting documents before claims are processed for payment.
6. Disbursements for non-priority expenditures totaling ₱369,958.98 were charged against SEF, not in accordance with the provisions of Republic Act (RA) No. 7160 and DECS-DBM-DILG Joint Circular No. 01, series of 1998 dated April 14, 1998, thereby defeating the purpose for which the fund was established.

We recommended that in the preparation of the SEF Budget, the Local School Board give priority to programs, projects and activities that will give greater benefits to high school and elementary students, in accordance with the provisions of Section 272 of RA No. 7160 and DECS-DBM-DILG Joint Circular No. 01.

7. The Local Disaster Risk Reduction and Management Fund (LDRRMF) was not fully utilized and registered a low financial delivery rate of 4.16% for failure to implement disaster risk reduction and management projects, programs and activities. Moreover, monthly Report on Sources and Utilization of Fund for CY 2016 was not prepared and submitted, contrary to COA Circular No. 2012-002 dated September 12, 2012.

We recommended that the LDRRMO work for the full implementation of disaster preparedness projects and activities and the optimal utilization of the LDRRM Fund to fully strengthen the capacity of the LGU for disaster risk reduction and management.

We also recommended that the Municipal Accountant and LDRRMO prepare the Monthly Report on Utilization of the DRRM Fund for submission to COA on or before the 15th day of each month as prescribed by COA Circular No. 2012-002.

The above, along with the other observations and recommendations earlier communicated to the local government unit thru Audit Observation Memoranda were discussed with the concerned Municipal officials and staff during the exit conference on May 30, 2017. Management's views and reactions thereon were considered in the report where appropriate.

Summary of Suspensions and Disallowances

As of December 31, 2016, audit suspensions and disallowances amounted to ₱73,038,279.48 and ₱22,577.50, respectively.

Status of Implementation of Prior Year's Audit Recommendations

Of the nine prior year's audit recommendations embodied in the CY 2015 Annual Audit Report, two were fully implemented, six were partially implemented and one was not implemented by Management.