

EXECUTIVE SUMMARY

INTRODUCTION

By virtue of Batas Pambansa Bilang 234, the Municipality of Santa Maria, Romblon acquired its political status on September 12, 1983.

The Municipality's vision is to achieve a fully autonomous and financially strong Local Government Unit which sustains community participation, environmental awareness, and enhanced economic growth, quality of life for all constituents of Santa Maria, in active partnership with the national agencies, civil society and private sectors.

Santa Maria shall focus its activities on pursuing active member's participation and capability development, effecting innovative organizational structures, system and procedures, strengthening and expanding linkages and networks and aggressively mobilizing resources and other support for LGU's programs.

The Municipality of Santa Maria is presently classified as 5th class municipality, pursuant to the Department of Finance Department Order No. 32-01 dated November 20, 2001.

FINANCIAL HIGHLIGHTS

The municipality generated a total income of ₱44,811,688 for CY 2016, higher by ₱7,418,898 or 19.84% compared with last year's ₱37,392,790. The Internal Revenue Allotment of ₱39,480,874 represents 88.10% of the total income. Other major sources of income are local taxes, permits and licenses, services, business income, and other income.

The total assets, liabilities, government equity, income and expenses for CY 2016 are as follows:

	<u>CY 2016</u>	<u>CY 2015</u>	<u>Increase/ (Decrease)</u>
Total Assets	₱ 94,055,261	₱ 62,228,587	₱31,826,674
Total Liabilities	12,287,526	18,271,785	(5,984,259)
Total Equity	81,767,735	43,956,802	37,810,933
Total Income	44,811,688	37,392,790	7,418,898
Total Expenses	34,814,327	27,554,623	7,259,704

SCOPE OF AUDIT

Financial and Compliance as well as Value for Money Audit were conducted on the accounts and operations of the Municipality of Santa Maria for CY 2016. The objectives of the audit were to ascertain the fairness and reliability of the municipality's position and results of operations and compliance of the agency to laws, rules and regulations as well as determine whether plans, programs and activities for the year were attained in an efficient, economical and effective manner.

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 considering that balances of Inventories and Property, Plant and Equipment as of December 31, 2016 amounting to ₱3,069,318 and ₱62,336,070, respectively, were unreliable due to unreconciled balances amounting to ₱1,561,671 and ₱3,117,707 between the amounts reflected in the Trial Balance and the reports of the Inventories and Property Plant and Equipment accounts.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

For the exception cited earlier, we recommended that the Management, particularly the Inventory Committee reconcile the results of the count with the property and accounting records and submit the complete and accurate RPCI and RPCPPE to the Audit Team.

For calendar year 2016, the following are the other significant observations and recommendations:

1. The Bids and Awards Committee (BAC) failed to strictly comply with the procedures required under R.A. No. 9184 and its revised IRR rendering the contract for the Construction/Improvement of Riprap in Brgy. Concepcion Norte in the amount of ₱9,898,028 entered into by the municipality and South Builders & Construction Supplies on March 23, 2016, defective to the disadvantage of the government. Moreover, deficiencies were also noted on the payments made to contractors, contrary to Section 4(6) of P.D. No. 1445 and other pertinent laws, rules and regulations.

On the conduct of procurement, we recommended that the Municipal Mayor:

- a. direct the BAC to submit pertinent documents relative to the (1) creation of the BAC Secretariat and BAC TWG; and (2) policy on the mechanism for identifying/selecting the group from which

observers are invited for specific procurements in compliance with the Revised IRR of R.A. No. 9184;

- b. direct the Municipal Engineer to strictly comply with the guidelines on the preparation of the ABC;
- c. strengthen internal control over the evaluation of the bids and post-qualification of bidders by requiring the BAC and the TWG to ensure timeliness, completeness and veracity of the post-qualified documents as reported in the Bid and Post- Qualification Evaluation Reports; and
- d. comply strictly with the requirements of R.A. No. 9184 specifically the 2016 Revised IRR of R.A. No. 9184 which has become effective last October 28, 2016 in their procurements.

On the payments made, we recommended that:

- a. the Municipal Accountant, as the internal auditor, see to it that all the necessary documentary requirements attached to the vouchers are accurate and complete before processing the claim;
 - b. the concerned offices submit all the lacking documents to the Audit Team and compliance to pertinent rules and regulations relative to disbursements for infrastructure projects including the Revised IRR of R.A. No. 9184 and COA Circular No. 2012-001 dated June 14, 2012 be strictly implemented to avoid suspension and even disallowance in audit;
 - c. the Municipal Mayor and the Municipal Engineer explain/justify why time extension was granted despite failure of the contractor to submit its request for time extension prior to August 24, 2016, the revised contract expiry date; and
 - d. the concerned officials to comply strictly with Item 6.2, Annex E of the Revised IRR of R.A. No. 9184 in the release of retention money.
2. The Municipality exceeded its fifty-five percent (55%) Personal Services Limitation/Cap by ₱3,675,888 per budget and ₱1,877,107 per actual expenditure in CY 2016, contrary to Section 325(a) of Republic Act No. 7160 or the Local Government Code of 1991 and Local Budget Circular (LBC) No. 98, depleting funds that could be used for other development projects.

We recommended that Management strictly observe the general limitations on personal services cited under Section 325 (a) of R.A. No. 7160

and Local Budget Circular No. 98. The Municipal Mayor, being the Local Chief Executive, should always be guided by the conditions of the agency's annual and supplemental budgets to ensure that the budgeting requirements are completely complied with. As part of his fiscal responsibility, he should allow only payments of personal services costs and other expenditures expressly authorized by law.

The municipality should exert efforts in raising its revenues/receipts such as increasing tax collection efficiency and generating revenue related projects/activities to increase the base of PS limitation.

3. Lapses were committed by the concerned municipal officials in the utilization and implementation of the 20% Development Fund of the municipality for CY 2016, contrary to DILG and DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

We recommended the following:

1. That the Municipal Mayor along with the Municipal Engineer and Municipal Planning and Development Officer identify the priority needs of its constituents and strictly follow, among others, Item 5.0 of Joint Memorandum Circular No. 2011-1 of the DILG and DBM in the implementation of programs/projects/activities for the 20% Development Fund;
2. The Municipal Engineer coordinate, monitor and evaluate the implementation of those projects to avoid delays and maximize the utilization of the 20% Local Development Fund in accordance with DILG and DBM Joint Memorandum Circular No. 2011-1; and
3. The Municipal Mayor and other concerned municipal officials observe strictly Items 3.0 and 4.0 of Joint Memorandum Circular No. 2011-1 of the DILG and DBM. Avoid charging expenses which do not constitute capital expenditures under the 20% Development Fund.

Other observations are presented in Part II of the Report.

The above, together with other observations and recommendations contained in the report, were discussed with concerned municipal officials and staff during the exit conference conducted on June 1, 2016. When appropriate, management's views and reactions were considered in the report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 12 prior year's audit recommendations, ten (10) were partially implemented while two (2) were not implemented.