EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Libona was created under Executive Order No. 5 dated April 4, 1917 issued by the then acting Governor of the defunct Department of Mindanao and Sulu. Libona was declared a regular municipality by virtue of Executive Order No. 272 dated October 4, 1957 by the Former President Carlos P. Garcia. By virtue of the said order, Libona became the 14th municipality in the Province of Bukidnon.

The major thrusts prioritized of the current administration are poverty alleviation, education, livelihood, tourism, health, social welfare, agricultural and environmental preservation. The attainment of these thrusts is through the achievement of the following objectives:

- To sustain productivity and profitability of marginal farmers and household.
- To provide opportunities for the attainment of higher education among its constituents.
- To sustain reforestation projects and environmental awareness, thus, fostering a well-balanced development.
- To provide infrastructure in support to all prioritized projects, program and activities.
- To improve the level of effectiveness and efficiency of LGU workforce and management in order to attain good governance.

The Municipal Government of Libona is currently headed by the Hon. Leonardo Genesis T. Calingasan and assisted by the Municipal Vice-Mayor Hon, Aurelio B. Lopez. The local Sanggunian is composed of the following personalities:

1. Hon. Israel C. Abas
2. Hon. Alejandro G. Buenaflor
3. Hon. Vicentico A. Buta
4. Hon. Ernie Al O. Ebdalin
5. Hon. Rella A. Fernandez
6. Hon. Vladimir P. Gallego
7. Hon. Fernando P. Ibarita
8. Hon. Elazar P. Ibona
9. Hon. Farrah L. Yongco – Inihao
10. Hon. Rogelio S. Langot (IP Mandatory Representative)

FINANCIAL HIGHLIGHTS

The municipality derived its income mainly from the Share on Internal Revenue Collections (or IRA) and supplemented by the revenues generated from business income,

business taxes and real property taxes, business permits and licenses, and from other miscellaneous income.

To cope with the current year's operation, the municipality appropriated the total amounts of ₱ 176,422,259.03 in the General Fund and ₱ 3,000,000.00 in the Special Education Fund, or a total of ₱ 179,422,259.03 which was ₱ 8,690,411.03 higher than last year's ₱ 170,731,848.00. Broken down per allotment class in the table presented below:

	General Fund	SEF	TOTAL
PS	₱ 63,784,640.17	₱ -	₱ 63,784,640.17
MOOE	65,366,363.86	2,170,000.00	67,536,363.86
CO	10,987,670.00	830,000.00	11,817,670.00
20% LDF	30,271,862.00		30,271,862.00
5% MDRRMF	6,011,723.00		6,011,723.00
Total	**₱176,422,259.03**	**₱3,000,000.00**	**₱179,422,259.03**

At the end of the CY 2018, the obligations incurred for the General Fund totaled ₱158,853,404.89 resulting to a utilization rate of 90.04%. Meanwhile, Obligations aggregating ₱2,242,175.29 was incurred for the SEF or a 74.74% utilization rate.

As at December 31, 2018 the financial condition and results of operations of the Municipality of Libona compared with that of the preceding year below:

Financial Condition:

	2018	2017	Increase (Decrease)
Assets	₱ 422,889,523.59	₱ 370,571,686.34	₱ 52,317,837.25
Liabilities	146,685,319.01	124,887,550.54	21,797,768.47
Government Equity	276,204,204.58	245,684,135.80	30,520,068.78

Results of Operations:

	2018	2017	Increase (Decrease)
Income and Subsidies	₱ 171,911,701.63	₱ 164,902,899.69	₱ 7,008,801.94
Expenses	146,758,767.15	127,287,409.47	19,471,357.68
Net Income	25,152,934.48	37,615,490.22	(12,462,555.74)

Comparative analysis of the statement of Financial Performance exhibits an increase in income of ₱ 7,008,801.94 and increase in expenses of ₱ 19,471,357.68 resulting to a decrease in net income of ₱ 12,462,555.74.

SCOPE OF AUDIT

The audit covered the financial transactions and operations of the Municipality of Libona for the calendar year 2018. The objectives of the audit were to ascertain the fairness of presentation and reliability of the financial position and results of operations, to determine whether the programs, projects and activities for the year were attained in an efficient, economical and effective manner. A compliance audit was also conducted to check the validity and propriety of the transactions and adherence to pertinent laws, rules and regulations.

AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

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

1. The presence of long overdue/ dormant receivable accounts as part of the LGUs Current Assets, consisting of Loans Receivable and Due from NGOs and POs amounting to P 891,959.40 and P 4,827,943.42, respectively, is not in conformity with the standards set out in Paragraph 76 of PPSAS 1, thereby affecting the fair presentation of the Statement of Financial Position as of December 31, 2018.
2. Subsidiary Ledgers for the Receivable accounts totaling P3,410,640.03 were not maintained and updated, hence, verification and validation on the existence of the receivables cannot be made, thereby affecting the accuracy, reliability and validity of the amounts reported in the financial statements as of December 31, 2018.
3. The existence, accuracy and reliability of the inventory accounts amounting to P6,931,147.18 as of December 31, 2018 cannot be ascertained, due to the failure to conduct physical inventory of supplies or property that will enable the reconciliation of the accounting records with the actual existence of the inventory items.
4. The existence and accuracy of the Property, Plant and Equipment (PPE) accounts with a total net book value of P306,002,094.25 could not be ascertained due to the non- submission of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2018 contrary to Section 124 of the New Government Accounting System (NGAS) thereby failing to prove the existence and accuracy of the reported balance in the Statement of Financial Position.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

In addition, the following is a summary of significant observations and recommendations in the audit and/ or evaluation of the operations of the Municipality of Libona for the year 2018 which need immediate action. These and other audit observations and recommendations are fully discussed in Part II of this Report, and were

discussed by the Audit Team with you and department heads and staff in an exit conference on April 12, 2019.

1. **Advance full payments amounting to P2,829,207.80 were made to the supplier despite incomplete delivery of food items in the implementation of the Supplemental Feeding program of the Department of Social Welfare and Development, in violation of Section 88 of P.D. 1445 which is grossly disadvantageous to the government and resulted to inadequate supporting documents upon payment.**

   We recommended to management that before effecting payments, ensure completeness of documents evidencing complete deliveries including the dates of complete delivery and acceptance. Also, refrain from making advance payment for goods not yet delivered. If mode of delivery is on a per schedule basis, payment shall be made only for the delivered goods.

2. **The LGU failed to properly account and control receipt and issuances of all the purchased food supplies totaling P3,342,524.00 intended for the Supplemental Feeding Program due to the absence of adequate documentation to show its full distribution to the end users.**

   We recommended that management require the General Services Office to conduct actual inventory of goods on hand, relative to the supplemental feeding program and provide the Municipal Accounting Office with the result of the inventory to record the cost as inventory, if there are any. Submit records and documents evidencing distribution to various day care centers, such as duly acknowledged and dated Requisition and Issue Slips (RIS). For subsequent procurement, observe proper recording and documentation on the receipt and distribution of goods.

3. **Documents for contract review relative to the procurement of goods for the supplemental feeding were not submitted contrary to COA Circular No. 2009-001. Also, the Schedule of Delivery of the procured food supplies were not defined clearly in the Contract/ Purchase Order, precluding the determination on whether deliveries were made as scheduled.**

   We recommended that management instruct the BAC Secretariat to adhere strictly to the provision of COA Circular No. 2009-001 on the timely and complete submission of contract documents for review. Stipulations and specific provisions shall be clearly indicated in the contract to safeguard the interest of the government.

4. **A financial assistance worth ₱500,000.00 was granted by the agency to Libona Employees Multi-Purpose Cooperative or LIBEMCO which was originally intended for livelihood development yet supported only with a Memorandum of Agreement (MOA) which is not in conformity to Section 2.1**

of COA Circular 2012-001 dated June 14, 2012, thereby, it created doubts on the validity and correctness of the fund transfer.

We recommended to management the following courses of action:

Require the Municipal Accountant to comply and submit the lacking documentary requirements, as applicable, with the provisions abovementioned as reference to the auditor for review and verification in order to fully substantiate and to clearly establish the propriety and validity of the transfer and the transaction, in general;

To strictly adhere to the provisions of Section 2.1 of COA Circular 2012-001 when the need to transfer fund to an NGO/PO with a valid cause/purpose arises in the near future.

5. **LGU Libona issued Certificate of Acceptance of various completed infrastructure projects even before the expiry of the defects liability period of one (1) year from the date of project completion, thereby, putting the government at a disadvantage by releasing the contractor of their liability over any possible structural damages or destruction that may arise since no warranty security was required upon issuance of the Certificate of Acceptance which is not in conformity with Section 62.2 of the 2016 Revised IRR of R.A. 9184.**

   We recommended management to closely observe the one (1) year defects liability period before it issues a Certificate of Final Acceptance (CFA). To safeguard the interest of the government for those projects with prematurely issued CFA, require the contractor to post a warranty security as stipulated in Section 62.2.3 of the 2016 Revised IRR of R.A. 9184.

6. **Fifteen Percent (15%) advance payment of the contract cost of the infrastructure projects implemented through straight contract totaling P10,131,299.73 were paid notwithstanding the requirement of Section 4 Annex E- Contract Implementation Guidelines for the Procurement of Infrastructure Projects of the Revised IRR of R.A. 9184.**

   We recommended that the Municipal Accountant strictly observe the submission of mandatory documents before the payment of the 15% advance payment to adhere with the minimum requirement set forth in the 2016 Revised IRR of R.A. 9184 to avoid any legal risk that may arise due to the said lapses.

7. **Infrastructure projects under the 20% Local Development Fund (LDF) were not completed on time or as programmed, thereby delaying the benefits and services that could have been derived from them. Also, liquidated damages arising from the delayed completion of the projects were not deducted from its payments thereby resulting to loss of government funds.**

(a.) Require the MEO to implement an effective monitoring system of all the implemented infrastructure projects whether it be locally or externally funded to enable early corrective actions of projects exhibiting negative slippage. Proper and complete filing, on a per project basis, shall be made on all documents in the execution of the project.

(b.) To submit status reports of the projects listed in Appendix B as of the target date of completion to identify the unperformed portion as of such date and enable computation of uncollected liquidated damages. Exert effort to collect the said liquidated damages.

(c.) Locally funded projects should be given the same preferential attention as the externally funded projects to optimize the delivery of services to the constituents of LGU Libona.

8. **Submission of the perfected contracts and its supporting documents for auditorial review of the infrastructure projects under the 20% LDF with a total contract cost of P18,592,055.47 was not completely observed contrary to the provisions of COA Circular No. 2009-001 dated February 12, 2009, thus depriving a systematic and effective review for early detection of errors/ deficiencies in compliance with the requirements of applicable laws, rules and regulations, completeness of documentary requirements and the evaluation that the contractual covenants are not disadvantageous to the government.**

   Require the BAC Secretariat to furnish the Office of the Auditor copies of the perfected contracts, as listed above, together with all the supporting documents. Ensure also that for subsequent transactions, contracts are submitted within the prescribed timeframe to enable us to conduct timely review and evaluation.

Summary of NS, ND, NC Issued During the Year:

No Notices of Suspensions, Disallowances or Charges were issued during the year.

Status of Implementation by Management of Prior Years' Audit Recommendations

Of the twenty (20) audit recommendations embodied in CY 2013-2017 Annual Audit Report, ten (10) were fully implemented, three (3) were partially implemented, and seven (7) were not implemented.

Year	Implemented	Partially Implemented	Not Implemented	**Total**
CY 2017	6	1	1	**8**
CY 2016	2	1	2	**5**
CY 2015		1	2	**3**