

EXECUTIVE SUMMARY

A. Introduction

The Municipality of Lopez Jaena was created by virtue of Executive Order No. 179 of 1928 and proclaimed as a municipality on August 1, 1929 by Senator Jose Clarin. It belongs to the first district of Misamis Occidental.

It is a fourth class municipality that covers a land area of 82.06 square kilometers or 15,324.78 hectares. It is situated 11 kilometers south of Oroquieta City, the capital of Misamis Occidental, facing east of Iligan Bay and bounded at the west by Malindang Mountain.

Its operation was aimed to undertake various social, economic and infrastructure programs in order to attain efficient, effective and economical governance, the purpose of which is the general welfare of its inhabitants.

B. Highlights of Financial Operations

Financial Position

As of December 31, 2018, the combined financial position of the Municipality of Lopez Jaena, excluding Barangays, showed total assets of ₱338,252,425, total liabilities of ₱163,661,229 and equity of ₱174,591,196, respectively:

	CY 2018		CY 2017	
Assets	₱	338,252,425	₱	252,702,365
Liabilities		163,661,229		154,157,719
Equity	₱	174,591,196	₱	98,544,646

Financial Performance

The municipality derived its income for CY 2018 from real property tax, special education tax, permits and licenses, business and service income, share from internal revenue allotment and other sources totaling ₱91,115,280 while expenses incurred went up to ₱78,354,007, while the account transfers, assistance and subsidy to amounted to ₱3,310,290; thus, indicating a surplus for the period of ₱9,450,984.

	CY 2018		CY 2017	
Total Revenue	₱	91,115,280	₱	85,082,972
Total Current Operating Expenses		78,354,007		73,491,140
Transfers, Assistance and Subsidy From		-		-
Transfers, Assistance and Subsidy To		3,310,290		1,557,850
Surplus for the Period	₱	9,450,984	₱	10,033,982

Cash Flows

The Statement of Condensed Cash Flows showed an aggregate inflows and outflows of ₱ 150,623,518, and ₱ 122,676,426, respectively. Balance in cash at the end of CY 2018 was ₱ 76,469,937.

	CY 2018		CY 2017	
Cash on Hand, January 1, 2018	₱	72,936,742	₱	76,469,937
Add: Total Cash Inflows		163,580,733		161,439,387
Total Cash Available	₱	236,517,475	₱	237,909,324
Less: Total Cash Outflows		154,956,686		164,972,582
Cash, December 31, 2018	₱	81,560,789	₱	72,936,742

C. Operational Highlights

For the Calendar Year 2018, the following are the Major Programs/Activities/Projects accomplished by the LGU per records submitted:

Name of Project	Project Cost	Completion Percentage
Improvement of Municipal Water System	7,850,000.00	92%
Improvement /Expansion of LGU Water Supply System	1,650,000.00	92%
Construction of Day Care Center	880,000.00	98%
Community Fish Landing Project	2,850,000.00	27%
Concreting of West. Poblacion to Rizal FMR	10,508,000.00	100%
Renovation of Multipurpose Building for PWD	50,000.00	98%
Construction of Multi Purpose Hall	320,000.00	89%
Construction of 2 Public Toilets	55,000.00	65%
SALINTUBIG-DILG-BUB Project	2,200,000.00	100%
Concreting of Dampalan to Luzaran -PRDP	25,506,779.76	80%
Community Based Monitoring System (CBMS)	785,000.00	21%
Small Water Impounding Project (SWIP)	1,100,000.00	87%
NAPC-BUB Project	550,000.00	60%
Construction/Installation of U Type Drainage Canal	550,000.00	88%
Rehabilitation of Rural Health Center	550,000.00	96%
Integrated Community Food Production (NAPC)-2	550,000.00	12%
LGSF Project for FMR Barangay Rizal	5,430,229.00	14%
LGSF Project for FMR Barangay Sibugon-Estante Road	10,000,000.00	6%

D. Scope of Audit

The audit covered the accounts and operations of the Municipality of Lopez Jaena, Misamis Occidental for the period January 1 to December 31, 2018. The audit was conducted through review of documents and reports, evaluation, inspection, observation and inquiry.

The audit was undertaken to ascertain the fairness in the presentation of the financial statements and adherence of the municipality with laws, rules, and regulations and whether programs, activities and projects were carried out in an economical, effective and efficient manner.

E. Independent Auditor's Report on the Financial Statements

The Auditor rendered an Unqualified Opinion on the fairness of presentation of the financial statements of the Municipal Government of Lopez Jaena for the period ended December 31, 2018, notwithstanding a possible understatement of the Land account as discussed in Part II of this report, which we noted as immaterial and not pervasive when compared to the total assets reported:

Accounts Affected	Amount	Effect
<i>Total Errors Affecting the FS</i>	6,610,488	-
<i>Total Assets</i>	338,252,425	-
<i>Total Percentage of Errors to Total Assets</i>	1.95%	-

F. Significant Findings and Recommendations

The Municipality has a sound internal control system in both collection and disbursement. Collections were deposited intact and within the reglementary period.

However, we noted some deficiencies which we considered significant, as follows:

- 1. The municipality failed to secure Transfer Certificate of Title and effect revaluation on its land properties contrary to the Asset Recognition Criteria and Philippine Public Sector Accounting Standards (PPSAS) No. 17, thereby casting doubt as to its recognition as an asset and possibly understating said account and government equity by P 6,610,488.**

We reiterated our prior year's audit recommendation that management:

1. Instruct the Municipal Assessor to secure and commence the processing of the TCT of all the land properties, and seek budgetary allocations for the pertinent cost thereof;

2. Direct the Municipal Assessor to provide copies of TCT to the Municipal Accountant, as basis for the latter to establish a subsidiary list and as basis to elect the revaluation model in accounting for Land as prescribed under PPSAS 17 using latest available Fair Market Value.
2. **Memorandum of Agreement (MOA) on fund transfers and projects totaling P56,024,033.08 from various National Government Agencies (NGAs) were not submitted to COA, thereby precluding the review of the terms and conditions of the fund transfer and precluding the evaluation of efficiency and effectiveness of projects agreed upon contrary to the provisions of COA Circular No. 2009-001 dated February 12, 2009.**

We have recommended that management submit to COA copies of the Memorandum of Agreement on aforementioned fund transfers and effect the submission thereon whenever future fund transfers are involved.

3. **Lump-sum appropriation amounting to P2,000,000.00 under the 20% Development Fund were not supported with detailed programs/projects/activities, in violation of Article 454(d) of Implementing Rules and Regulations of RA 7160; thereby, casting doubts on the effectivity and efficiency in the planning and implementation of the Municipal Development Plan.**

We have recommended that management:

1. Direct the Barangay Captains to submit Barangay Development Plan as pre-requisite before funding assistance from the barangays will be entertained/ processed; and
 2. Require the Municipal Development Council to prepare a detailed Municipal Development Plan for CY 2019, and in the years thereafter in case an Infrastructure Support Fund will still be established.
4. **Failure of the municipality to timely implement Solid Waste Management (SWM) Programs contravened part of its 10-year SWM Plan and relevant provisions of RA 9003, thereby continually posing health and environmental hazards to constituents and casting doubts as to the achievement of the objectives within the period planned.**

We reiterate our prior year's audit recommendation that management closely monitor the implementation of its 10-year SWM plan, with due consideration on the budgetary requirements on programs planned. Further, we recommended that officials enjoin working with DENR and other government agencies in authority, so as to be supported and thereby hasten the implementation of the various programs in line.

- 5. The municipality's existing internal control system on the rental of its heavy equipment to private contractors is inadequate; thus, casting doubts as to the accuracy and completeness of collected income and affecting the objective of maximizing income generation.**

We have recommended that management enforce control activities, specifically by:

1. Seeking assistance from the Office of the Sangguniang Bayan, and the Municipal Engineer for possible amendment on the revenue ordinance to comply with ACEL Rates;
 2. Requiring the Municipal Collectors to demand a duly approved Requisition Slip from the customers/private contractors before processing rental payments;
 3. Instructing the Motorpool In-Charge to approve time records indicated in trip tickets filled-up by customers;
 4. Directing the Municipal Engineer/ Municipal Agriculturist, and the GSO to conduct pre and post-inspection for every lease transaction;
 5. Requiring the GSO to verify details of trip tickets vis-à-vis the amount paid and require the contractor for payment of deficiencies, if there's any;
 6. Instructing the GSO to maintain custody of equipment keys;
 7. Executing a lease contract with a contractor to cover the terms and conditions of the lease agreement; and
 8. Instructing concerned offices to maintain equipment logbooks.
- 6. The municipality's water system account amounting to P6,178,384.69 are operated by the Barangay Water System Association (BAWASA/BWSA) in the absence of a permit granting authority to the latter and the absence of financial records and performance, contrary to relevant Implementing Rules and Regulations of NEDA Resolution No.5, series of 1998; thereby, casting doubts as to the authority of the BAWASA to operate, and undermining expansion and revenue integration.**

We have recommended that management:

1. Require the BSWA to apply for registration in the municipality;
2. Enact an ordinance granting authority to the BWSA to use existing water assets by the municipality;
3. Instruct concerned Barangay Councils to pass a resolution deputizing the BWSA as collector; and
4. Demand from the BWSA and from the Barangay the submission of financial records and performance, subject to visitorial audit by the MEEDO, Municipal Accountant, DILG and COA.

Otherwise if recommendations No. 1-4 are not followed:

5. Instruct the MEEDO to prepare a transition plan on the management of assets and revenue collection system, for approval by the Sangguniang Bayan.
7. **The municipality did not use the existing Harmonized GAD Guidelines (HG DG) to determine the extent of the gender-responsiveness of its programs, projects and activities in the prepared GAD Plan and Budget for CY 2018, thereby casting doubts that the GAD attribution amounting to P4,275,134. 00 were gender responsive and that the GAD objectives will be achieved.**

We have recommended that management:

1. Make representation to seek assistance from GAD Resource Persons, such as those accredited by the Phil. Commission on Women, for the conduct or participation of a training and workshop on GAD Planning, with emphasis on the use of GAD tools; and
2. Improve and develop the existing GAD Database or Sex-Disaggregated Data for proper utilization in the planning, budgeting, programming, and policy formulation of the Municipality, as well as proper charging of the object of expenditures on actual accomplishments.

G. Summary of Total Suspensions, Disallowances and Charges

The table below shows the status of suspensions, disallowances and charges as of December 31, 2018:

	Suspension	Disallowances	Charges
Balances prior to Oct. 1, 2009			
Balance, 1/1/ 18	-	-	-
Less: Settlements	-	-	-
Balance, 12/31/18	-	-	-
Balances after Oct.1, 2009(RRSA Effectivity)			
Beg. Balance as of 1/1/18	595,383.00	-	-
Add: Suspensions/ Disallowances (Jan-Dec '18)	29,996.40	-	-
Total	625,349.40	-	-
Less: Settlements	(29,966.40)	-	-
Balance, 12/31/2018	595,383.00	-	-

H. Status of Implementation of Prior Year's Audit Recommendation

Of the five (5) audit recommendations embodied in the 2017 Annual Audit Report, two (2) were fully implemented, two (2) were partially implemented and one (1) audit recommendation was not implemented and is reiterated in this 2018 Annual Audit Report. The details of the status are contained in Part III of this report.