

## EXECUTIVE SUMMARY

### Introduction

The Municipality of Talalora is a coastal municipality located along the western coastal of the Province of Samar. It is a 6<sup>th</sup> class municipality with eleven (11) barangays. It was created into a municipality by virtue of House Bill No. 921 sponsored by Congressman Tito V. Tizon on June 22, 1947.

A financial and compliance audit was conducted on the accounts and operations of the municipality for calendar year 2018.

The audit was aimed to ascertain the propriety and validity of disbursements and receipts, and to obtain reasonable assurance about whether the financial statements are free from material misstatements. The audit consisted of post-audit of transactions, review of operating procedures, interview with concerned municipal officials and employees, verification and analysis of accounts, and such other procedures considered necessary under the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

### Financial Highlights

#### A. Appropriation

The municipality appropriated ₱63,070,222.60 for the current year. There was an increase of ₱13,139,357.80 or 20.83% from that of 2017, as follows:

Allotment Class	2018	2017	Increase/(Decrease)	
			Amount	%
Personal Services	21,635,582.89	23,072,914.88	(1,437,331.99)	(6.64%)
MOOE	19,419,322.12	14,660,031.11	4,759,291.01	24.51%
Capital Outlay	16,652,212.20	10,506,918.80	6,145,293.40	36.90%
Other Purposes	5,363,105.38	1,691,000.00	3,672,105.38	68.47%
<b>Total</b>	<b>₱63,070,222.60</b>	<b>₱49,930,864.79</b>	<b>₱13,139,357.80</b>	<b>20.83%</b>

#### B. Expenditures

Expenditures incurred from current appropriations amounted to ₱45,796,382.32. There was a decrease of ₱14,489,902.63 or 31.64% over that of last year, as shown below:

Allotment Class	2018	2017	Increase/(Decrease)	
			Amount	%
Personal Services	20,505,194.08	12,594,520.52	7,910,673.56	35.58%
MOOE	9,426,789.23	9,277,749.28	149,039.95	1.58%
Capital Outlay	11,507,849.01	7,743,209.89	3,764,639.12	32.71%
Other Purposes	4,356,550.00	1,691,000.00	2,665,550.00	61.18%
<b>Total</b>	<b>₱45,796,382.32</b>	<b>₱31,306,479.69</b>	<b>₱14,489,902.63</b>	<b>31.64%</b>

The financial condition and performance of the Municipality is presented below:

Particulars	CY 2018	CY 2017	Increase/(Decrease)	
			Amount	%
Assets	186,325,819.89	121,475,724.70	64,850,095.19	34.80%
Liabilities	74,170,488.77	45,363,258.99	28,807,229.78	38.84%
Equity	112,155,331.12	76,112,465.71	36,042,865.41	32.14%
Income	47,336,834.72	44,202,473.83	3,134,360.89	6.62%
Expenses	30,021,198.39	27,414,274.84	2,606,923.55	8.68%

### Independent Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because: a) the validity and existence of the Cash Local Treasury amounting to P1,837,788.35 is doubtful due to the continued failure of the Municipal Treasurer to deposit the amount; b) the validity of the Cash in Bank – Local Currency Current Account could not be ascertained due to the unverified reconciling item in the General Fund amounting to P33,696,485; c) the Due to GSIS, Due to PhilHealth and Due to GOCCs with negative balances of P104,832.07, P40,016.99 and P537,229.52, respectively are unreliable due to the absence of the payrolls which remained unsubmitted, to support the recorded amount withheld from salaries of officials and employees; and d) the propriety, legality and validity of the recorded disbursements totaling P12,631,155.14, could not be ascertained due to the absence of the covering disbursements vouchers for expenditures out of the General Fund and the Local Disaster Risk Reduction Management Fund.

### Summary of Significant Observations and Recommendations –

In addition to the exceptions cited, the significant observations and the accompanying recommendations were as follows:

1. Contracts for the three (3) infrastructure projects costing ₱9,087,200.24 funded from the 20% Development Fund were not submitted for review and evaluation. While disbursements amounting to ₱8,339,633.15 for the mobilization and partial billings of the contracts lack the required supporting documents.

**We recommended that the Local Chief Executive require the BAC to submit the contracts and the related supporting documents for auditorial review and evaluation. Likewise, require the Municipal Accountant to submit the lacking supporting documents on the claims for 15% cash advances and progress billings.**

2. The unutilized balances of ₱705,631.61 and ₱269,923.77 of the QRF and 70% MOOE, respectively, were not transferred to the Special Trust Fund.

**We recommended that the Local Chief Executive require the Municipal Treasurer to transfer the unutilized balances of the QRF and 70% MOOE to the Special Trust Fund.**

3. The municipality had allocated the amount of ₱4,249,000.00 for the GAD programs, projects and activities for CY 2018 with an approved GAD Plan and Budget. However, the annual GAD accomplishment report showed that the total utilization amounted to ₱974,935.81 only or 22.94%.

**We recommended that the GAD Focal Point System (GFPS) see to it that the gender issues included in the GAD Plan be implemented during the year in order to address the emerging/continuing issues and concerns of the constituents such as the provision of basic services and facilities to protect women's rights, economic empowerment and participation in local governance.**

4. Taxes withheld from various creditors for CY 2018 and of the previous year's amounting to ₱1,164,014.38 remained unremitted as of December 31, 2018.

**We recommended that management remit immediately to BIR the amount of ₱1,164,014.38. Henceforth, strictly comply with the provisions of Revenue Regulation No. 1093 dated June 6, 1993 on the remittance of taxes withheld which is within ten (10) days following the end of the month the withholding was made or withholding accrued.**

### **Summary of Audit Suspensions, Disallowances and Charges**

The total audit suspensions, disallowances and charges found in the audit of various transactions of the Municipality as of December 31, 2018 was ₱ 32,598,849.76 based on the Notice of Suspension (NS), Notice of Disallowance (ND) and Notice of Charge (NC) issued by this Commission.

Five (5) Notice of Suspensions were issued on August 15, 2018 related to CY 2017 transactions. Notices of Suspension and Disallowance resulting from post-audit of calendar year 2018 transactions are still for issuance.

## **Status of Implementation of Prior Year's Audit Recommendations**

Of the forty-seven (47) audit recommendations contained in the CY 2017 and prior years' Annual Audit Reports, eleven (11) were implemented, sixteen (16) were partially implemented, and twenty (20) were not acted upon by management.