



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. III
City of San Fernando, Pampanga

Tel. No.: (045) 455-42-69 to 73 • Telefax No.: (045) 455-4273 • Website: www.csa.gov.ph

15 March 2017

OFFICE OF THE MAYOR
ANAO, TARLAC

RECEIVED

DATE: 3-M-17
BY: [Signature]

HON. BETTY B. LACBAYAN
Municipal Mayor
Municipality of Anao
Province of Tarlac

Dear Mayor Lacbayan:

We are pleased to transmit the Annual Audit Report on the audit of the Municipality of Anao, Province of Tarlac for the Calendar Year 2016 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We conducted our audit in accordance with the Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality owing to the exceptions noted in the audit as stated in the Independent Auditor's Report.

The significant observations and recommendations requiring immediate action are as follows:

1. Payments of Representation and Transportation Allowances (RATA) were not supported with complete documentation which run counter to the provisions of Section 4, paragraph 6 of Presidential Decree (PD) No. 1445 and Local Budget Circular No. 103, thereby casting doubts on the propriety of the claims. (*Observation No. 2*)

We recommended that (a) claims of RATA be supported with the required documents in order to have a basis in determining whether the provisions of the existing laws, rules and regulations were observed; and (b) the Acting Municipal Accountant see to it that the claims for RATA are supported with complete documentation before certifying and effecting payment in order to avoid suspension and /or disallowance of the transactions.

2. The Municipality incurred various expenditures totalling to P214,265.71 through reimbursement scheme, in violation of the provisions of P.D. No. 1445, thereby casting doubt as to the most reasonable price for the government and depriving the withholding of creditable VAT and other percentage taxes on payments of goods and services. *(Observation No. 3)*

We recommended that the Municipal Mayor spearhead to a) stop the practice of paying various expenses through reimbursement basis; and b) strictly adhere to the requirement of rules and regulations that all payments must be made by check directly to the suppliers.

3. Several programs charged to the 20% Development Fund were utilized beyond the priority projects/ programs set forth under DILG-DBM Joint Memorandum Circular (JMC) No. 2011-1 dated April 13, 2011, defeating the purpose for which the fund were appropriated. Moreover, certain provisions of COA Circular No. 2013-004 dated January 30, 2013 were not complied with. *(Observation No. 4)*

We recommended that management stop the practice of charging inappropriate/improper expenditures to the 20% Development Fund and strictly adhere to the provisions of the abovementioned regulations. Continued disregard of the provisions may force the Audit Team to issue the necessary audit suspension/s or disallowance/s, as the case may warrant.

4. The Monthly Reports on Sources and Utilization of Disaster Risk Reduction and Management Fund (LDRRMF) were not submitted within the prescribed period provided under COA Circular No. 2012-002 dated September 12, 2012, thus, usefulness of the report is diminished. Moreover, the purchased rescue vehicle was used for administrative purposes. *(Observation No. 5)*

We recommended that the Municipality through its Local Chief Executive strictly adhere to the prescribed rules and regulations of COA Circular No. 2012-002 on the allocation, utilization and reporting of LDRRMF to provide adequate resources and information to stakeholders about the fund.

5. The Municipal Government has not fully complied with the provisions of the Republic Act (RA) No. 9710 otherwise known as the Magna Carta of Women (MCW) and the guidelines on the localization of MCW under PCW-DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2013-01, thus precluded the assessment of the development, utilization and gender-responsiveness of GAD and the effectiveness and efficiency of its gender mainstreaming efforts. *(Observation No. 6)*

While we took cognizance of the relentless efforts of the LGU to support gender equality and women empowerment, we recommended that the Local Chief Executive (LCE) to:

- i. Instruct the GAD Executive Committee and Technical Working Group to facilitate the establishment of the GAD Database to aid in gender

analysis and provide baseline data on the status of women and men in the LGU;

- ii. Direct the GAD Focal Person to assess the extent of compliance through a compliance checklist of the elements of the institutional mechanisms in place and intensify efforts on those areas that should be in place; and
- iii. Spearhead the creation of the GAD Code to support gender equality and gender-responsive governance.

6. Several deficiencies noted in the utilization of Special Education Fund (SEF) were contrary to the provisions of R.A. 5447, Sections 100 and 272, R.A. 7160, DepEd-DBM-DILG Joint Circular Nos. 01, s. 1998 dated April 14, 1998, No. 01-A, March 14, 2000, No. 01-B, dated June 25, 2001 and related DepEd issuances and auditing rules and guidelines. Moreover, accountability over assets procured out of SEF was not properly fixed which may result in losses or non-traceability of government property. (*Observation No. 7*)

We recommended that the Local School Board:

- a. prepare a balanced budget with conscious and concerted efforts of observing compliance with the legal and regulatory requirements on SEF budgeting, allocation and utilization and refrain from accommodating expenditures for activities for which the DepEd has the direct mandate to execute;
- b. request for inputs from the DepEd official/ School Division Superintendent in the prioritization of SEF projects and expenditures in accordance with the DepEd criteria and with due regard to the provisions of laws, rules and regulations prescribing the limitations on the use of the fund; and
- c. coordinate with the Property Offices of both the LGU and the DepEd to strengthen the controls on property accountability to monitor the clearances of those of the DepEd personnel who are retiring, resigning or terminating their employment.

7. Payments to Bottom-Up Budgeting (BUB) projects during the year were not supported with complete documentation which runs counter to the provisions of Section 4, paragraph 6 of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, thereby casting doubts on the regularity and propriety of the transactions. (*Observation No. 8*)

We recommended that a) management ensure that claims against government funds be supported with the required documents provided under the abovementioned regulations; and b) the Acting Municipal Accountant make sure that the transactions are supported with complete documentation before certifying and effecting payment in order to avoid suspension and /or disallowance of the transactions.

8. The Municipality failed to fully implement a systematic, comprehensive and ecological solid waste management program that would ensure the proper segregation, collection, transport, storage, treatment and disposal of solid waste, thus, it failed to achieve the primary objective of R.A. No. 9003, otherwise known as the Philippine Ecological Solid Waste Management Act of 2000, to protect the Municipality's environment and public health from substantial present and potential hazards of solid wastes. *(Observation No. 9)*

We recommended that the Local Chief Executive (LCE) coordinate the efforts of public and private sectors and implement the five basic environmental laws on preserving and protecting the environment and public health as required under R.A. No. 9003. We further recommended that the LCE encourage the full participation of the barangays in the implementation of the law.

9. The validity, completeness and accuracy of the recorded transactions could not be established due to delayed/ non-submission of accounts and its supporting documents to the Audit Team, as required under Section 347 of RA No. 7160 and COA Circular No. 2009-006 dated September 15, 2009 which hindered the timely conduct of post-audit and communication to the Management of any deficiencies and/ or observations that may be noted. Moreover, the complete set of Financial Statements was not submitted within the reglementary period prescribed under PD No. 1445. *(Observation No. 10)*

We reiterated our previous year's audit recommendation that the Municipal Mayor instruct the Acting Municipal Accountant (a) strictly comply with the regulation on the rendition of accounts and financial reports in order not to delay the verification and post-audit activities; and (b) observe the due dates of submission of the required financial reports and documents to the Audit Team.

10. Imposition of warranty security to suppliers/contractors in all procurement of infrastructure projects was not strictly complied with, contrary to Section 62 of the Implementing Rules and Regulations-A (IRR-A) of Republic Act (RA) No. 9184, thus the risk that the Municipality might not be compensated for any damages due to defects or damage on goods and faulty or defective infrastructure projects. *(Observation No. 11)*

We recommended that the Municipal Mayor instruct the BAC and Municipal Accountant to require the Supplier/Contractor to post the necessary warranty security in any acceptable form for implemented infrastructure projects, as prescribed under Section 62 of the IRR-A of RA No. 9184, one year after project completion or before the issuance of the certificate of final acceptance in order to assure just compensation in case of faulty or defective projects within the set period.

We request a status report, thru accomplishing the attached Agency Action Plan and Status of Implementation Form, on the actions taken on the audit recommendations within sixty days from receipt of this report, pursuant to Section 96 of the General Provisions of the General Appropriations Act of 2016.

We appreciate the invaluable support and cooperation extended by the officials and staff of that Municipality.

Very truly yours,

Bernardo C. Garcia
BERNARDO C. GARCIA
Supervising Auditor

Cc: The Director, DELG, Regional Office No. III, San Fernando, Pampanga
The Director, BILGF, Regional Office No. III, San Fernando, Pampanga
The Director, DBM, Regional Office No. III, San Fernando, Pampanga
The Secretary, Sangguniang Panlalawigan, Province of Tarlac
The Secretary, Sangguniang Pambayan, Pura, Tarlac
The Assistant Commissioner, LGS, COA, Quezon City
The Commissioner Proper, COA, Quezon City
The Director, COA Regional Office No. III, City of San Fernando, Pampanga