



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

OFFICE OF THE MAYOR

ANAO, TARLAC

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April 12, 2018

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 2017 in compliance with Section 43 of the Government Auditing Code of the Philippines (P.D. 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.

The attached report consists of the Independent Auditor's Report, the Audited Financial Statements; the Observations with the corresponding Recommendations which were discussed with the officials and staff concerned at various occasions of the audit and during the exit conference; and the Status of Implementation of Prior Year's Audit Recommendations.

We conducted our audit in accordance with Philippine 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. The 20% of Internal Revenue Allotment for Development Fund was utilized for three (3) programs/project/activities costing ₱ 513,423.89 that were exclusions from items prescribed under DILG-DBM Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017, hence, the objective of the fund was not fully achieved. (Observation No. 2)*

We recommended that the Municipal Mayor instruct the Municipal Budget Officer to stop the practice of charging inappropriate/improper expenditures to the 20% Development Fund and strictly adhere to the provisions of the abovementioned regulations.

2. *Disbursements totaling ₱ 78,145.70 charged under the Local Disaster Risk Reduction Management Fund (LDRRMF) of the Municipality were utilized for ineligible expenses contrary to NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013, thereby defeating the purpose for which the fund was established. (Observation No. 3)*

We recommended that the Local Chief Executive instruct the Municipal Budget Officer and the LDRRM Officer to prepare a balanced budget with conscious and concerted efforts of observing compliance with the legal and regulatory requirements on LDRRM budgeting, allocation and utilization in reference to the abovementioned rules and regulations outlined in the NDRRMC-DBM-DILG Joint Memorandum Circular.

3. *Disbursements under the Assistance to Disadvantaged Municipalities (ADM) Fund amounting to Php 4,550,986.76 for the Provision of Potable Water Supply in Brgy. San Francisco East and Php 9,790,721.89 for the Provision of Potable Water Supply in Brgys. Sinense, Baguindoc, Casili and Suaverdez were not supported with complete documentation which is in contravention of the provisions of Section 4.6 of Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012, thus, casts doubts on the regularity and propriety of the transactions. (Observation No. 4)*

We recommended that management (a) submit the lacking documents; (b) instruct the Municipal Accountant to ensure that the transactions are supported with complete documentation before certifying and effecting payment in order to avoid suspension and/or disallowance of the transactions; and (c) observe stringent compliance with the provisions of P.D. No. 1445, COA Circular No. 2012-001 on documentary requirements of transactions.

4. *The Municipal Government has not fully complied with the provisions of 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. 5)*

We reiterated our previous year's recommendations that the Local Chief Executive (LCE) (a) instruct the GAD Executive Committee and Technical Working Group to facilitate the updating of the GAD Database to aid in gender analysis and provide baseline data on the status of women and men in the LGU; and (b) 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.

5. *The Municipality continuously failed to adopt a systematic, comprehensive and ecological solid waste management program that would ensure the proper segregation, collection, transport, storage, treatment and disposal of solid waste, resulting in the failure 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. 6)*

We reiterated our previous year's recommendations that the Local Chief Executive (a) coordinate the efforts of the public and private sectors and implement the environmental laws on preserving and protecting the environment required under R.A. No. 9003; (b) enforce the strict implementation of the "No Littering" Ordinance; and (c) encourage the full participation of the barangays in the implementation of the R.A. No. 9003.

6. *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. (Observation No. 7)*

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

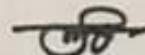
7. *The Municipality has not complied with the requirements of Sections 2.1 and 3.1 of COA Circular No. 2013-004 dated January 13, 2013 on the submission of a list of its on-going programs, projects and activities to the Audit Team and those that are to be implemented during the year which could have resulted in the failure of the Audit Team to validate the same had it not been informed of the agency's compliance with the required posting of PPAs signboards. (Observation No. 8)*

We recommended that the Municipal Mayor instruct the Municipal Engineer to strictly comply with all the provisions of the aforementioned COA Circular in order to enhance transparency on its operations and monitoring of its PPAs.

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 88 of the General Provisions of the General Appropriations Act of 2017.

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

Very truly yours,



ATTY. ANTONIO F. MARZAN
OIC - Supervising Auditor

- Cc:
- The Director, DILG, 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 Pambalayan, Province of Tarlac
 - The Secretary, Sangguniang Pambayan, Anao, 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