



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

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April 01, 2019

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 2018 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD 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 International 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. The details of Due from LGUs amounting to P85,379.11 remained unaccounted and substantiated, contrary to the provisions of Presidential Decree (PD) No. 1445 rendering the accuracy and reliability of the account balance doubtful. (*Observation No. 1*)

We recommended that the Local Chief Executive instruct the Acting Municipal Accountant (a) to locate the records and documents related to the transactions of inter-agency receivables and determine against whom these accounts would be demanded or collected; and (b) at the instance of concrete identification, send demand letters to obligors to settle the amount due.

2. The Municipality disregarded the (i) conduct of physical count of all agency properties; (ii) maintenance of complete property records and; (iii) reconciliation of property and accounting records, contrary to the provisions of the Manual on the New Government Accounting System (NGAS) casting doubt on the reliability and accuracy of the recorded Property, Plant and Equipment (PPE) accounts valued at ₱66,723,652.60 as of December 31, 2018. (*Observation No. 2*)

We reiterated our previous year's recommendations that the Local Chief Executive (a) direct the Inventory Committee of the Municipality to conduct a complete physical count of PPE and label all properties/equipment showing complete description for easy identification and monitoring; and (b) require the designated Property Custodian and the Acting Municipal Accountant to maintain complete and updated property cards and ledger cards, respectively, and periodically conduct reconciliation thereon.

3. The Municipality managed to implement all the programs, projects and activities (PPAs) included in its Annual Investment Program under the 20% development fund for CY 2018, however, pertinent provisions of the Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184, COA Circular Nos. 2009-01 and 2012-01 were not strictly adhered to in the procurement of infrastructure projects. (*Observation No. 3*)

We recommended that (a) The Municipal Accountant check the completeness of supporting documents before effecting the payments of obligations in view of the contracts' deliverables and submit immediately the financial records and accounts abovementioned; and (b) The Local Chief Executive direct (i) the Bids and Awards Committee and its Secretariat Office and the Municipal Engineer to submit the lacking documents and to observe the instructions on contract submission prescribed by COA Circular No. 2009-01 and (ii) BAC to follow the provision on observers' invitation as provided in RA No. 9184.

4. For CY 2018, the Municipality did not consider the previous years' unexpended balance of the Local Disaster Risk Reduction Management Fund (LDRRMF) in the course of planning and programming to the exclusion of additional projects and activities, contrary to the provision of COA Circular No. 2012-02 dated September 12, 2012. Moreover, the agency was partially compliant with the minimum standards prescribed by the Local Government Academy (LGA) of the Department of Interior and Local Government (DILG) on disaster preparedness, thus, the Municipality did not fully contribute on strengthening the capacities of the agency and its communities relative to disaster or calamities. (*Observation No. 4*)

We recommended that management should (a) strictly conform with the provisions of the abovementioned regulations in preparing the necessary LDRRMFIP which include activities to be funded from LDRRM current appropriation and from unexpended balance from previous years and (b) ensure its compliance with respect to minimum standards on disaster preparedness.

5. The Municipality incurred lapses and deficiencies in the documentation, implementation and execution of the two projects under the CY 2018 Local Government Support Fund-Assistance to Municipalities (LGSF-AM) Program, thus, pertinent provisions of Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR) and COA Circular No. 2012-001 were not fully observed. *(Observation No. 5)*

We recommended that the Management adopt better planning strategies in order to comprehensively consider all risk factors in programming and prioritizing developmental projects and ensure that compliance with the documentation, reporting standards and requirements provided in the DILG Circulars was satisfactorily observed within the prescribed timelines.

6. Deficient Invitations to Bid (ITBs) were posted in the PhilGEPS and conspicuous places in the Municipality for the procurement of two Multi-Purpose trucks with Approved Budgets of the Contract (ABCs) of P2,100,000.00 and P1,200,000.00, respectively, hence, cast doubt on the propriety of the transactions, contrary to Section 21(a) of Republic Act No. 9184. Moreover, pre-procurement conference was not conducted for the transactions of more than P2 million. *(Observation No. 6)*

We recommended that the Municipal Mayor instruct the Bids and Awards Committee to be cautious in preparing bid documents such as ITB and strictly follow activities outlined in RA 9184 and require its members to explain/justify the deficiencies discussed herein. We further recommend that the responsibility of inspecting goods of complex attributes should be delegated to appropriate officials of the Municipality.

7. The Municipality was incompliant to enforce Sec. 48 of Republic Act 10964 otherwise known as the General Appropriations Act of 2018 which requires that the mandatory minimum net take home pay of government employees should be P5,000.00 monthly. *(Observation No. 7)*

We recommended that the Local Chief Executive direct Municipal Human Resource and Management Office to ensure compliance on setting the minimum limit of monthly take home pay of government employees in accordance to prevailing statutes.

8. The cost of activities amounting to P160,000.80 was charged against Gender and Development (GAD) budget although exclusion to GAD criterion contrary to the PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01, thus GAD fund was depleted by transactions which did not respond to any GAD issue or concern. *(Observation No. 8)*

We recommended that the Local Chief Executive instruct the Municipal Budget Officer and the GAD Focal Person to comply with the guidelines set forth in the PCW-DILG-DBM-NEDA Joint Memorandum Circular No. 2013-01 and to ensure proper utilization of the GAD Fund.

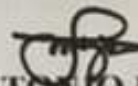
9. The Municipality did not strictly enforce the 10-year Solid Waste Management Plan (SWMP), evidenced by the non-inclusion of related programs, projects and activities, indicated in the SWM budget for CY 2018, thus, impairing the Municipality's compliance with the basic environmental regulations on preserving and protecting the environment embodied in Republic Act (R.A) No. 9003 otherwise known as Philippine Solid Waste Management Act. (*Observation No. 9*)

We recommended that management should ensure the implementation of programs and activities contained in 10-year Solid Waste Management Plan which focus on preserving and protecting the environment in accordance with R.A No. 9003.

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 93 of the General Provisions of the General Appropriations Act of 2018.

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

Very truly yours,



ATTY. ANTONIO F. MARZAN
Supervising Auditor