

EXECUTIVE SUMMARY

1. INTRODUCTION

San Carlos became a city by virtue of Republic Act No. 4487 signed on June 19, 1965. It is a 3rd class component city with a total land area of 16,903 hectares and is composed of eighty-six (86) barangays. The city is under the able leadership of Hon. Joseres S. Resuello.

Our audit included analysis of accounts and review of certain transactions and test of compliance with applicable laws, rules and regulations, aimed to ascertain the fairness and reliability of the agency's financial position and the results of its operations.

A financial and compliance audit was conducted on the financial statements and operations of the City Government of San Carlos for CY 2017. Also, the results of the value-for-money audit conducted are included in this report.

The local government unit is manned by Nine Hundred Seventeen (917) city officials and employees distributed in different offices, to wit:

<u>Particulars</u>	<u>No. of Personnel</u>
Elective	13
Regular/Permanent	665
Temporary	1
Job-Order	<u>238</u>
Total	<u>917</u>

2. FINANCIAL HIGHLIGHTS

A. Financial Condition

The financial position, sources of funds, appropriations and obligations of the City of San Carlos for calendar years 2017 and 2016 are presented below:

	2017	2016	Increase/ Decrease	%
Assets	1,420,904,735.06	1,202,434,606.97	218,470,128.09	18.17%
Liabilities	579,203,803.67	591,667,873.17	(12,464,069.50)	(2.11%)
Government Equity	841,700,931.39	610,766,733.80	230,934,197.59	37.81%

B. Results of Operations

Particulars	CY 2017	CY 2016	Increase(Decrease)	
			Amount	Percentage (%)
Income	705,067,388.32	617,773,699.76	87,293,688.56	14.13%
Expenses	495,361,078.16	480,010,221.85	15,350,856.31	3.20%
Excess of Income over Expenses	209,706,310.16	137,763,477.91	71,942,832.25	52.22%

C. Appropriation/Allotment/Obligation

Particulars	CY 2017	CY 2016	Increase(Decrease)	
			Amount	Percentage (%)
Appropriation	971,759,380.97	731,588,105.10	240,171,275.87	32.82%
Obligation	561,876,055.32	540,161,499.80	21,714,555.52	4.02%
Balances in Appropriations	409,883,325.65	191,426,605.30	218,456,720.35	114.12%

D. Operational Highlights

The following programs, projects and activities are the significant accomplishments of the city for the year 2017, some of which were validated, to wit:

Program/Project/Activities	Amount	Status
1. Rehabilitation of various City streets	5,401,091.02	Completed
2. Construction of Masonry Line Canal-Brgy. Calomboyan	998,001.15	Completed
3. Construction of Retaining Wall- Brgys. Agdao and Cacaritan	3,141,830.91	Completed
4. Construction Rural Health Unit (RHU)-Brgy. Magtaking	2,995,915.69	Completed
5. Construction of San Carlos City Mango Processing & Livelihood Center	3,096,489.85	Completed
6. Construction of DSWD Warehouse & Drop-in Center	2,386,949.33	Completed

7. Construction of Day Care Center (Brgys. Ano, Inerangan, Polo, Payar)	4,787,198.98	Completed
8. Construction of Birthing Facilities- Brgy. Libas	2,224,402.28	Completed
9. Construction of R.C. Drainage at Old Central I Road	2,780,492.07	Completed
10. Construction of 1CL School Bldg. (Balayong Elem. School, Agdao Elem. School, Calobaoan Elem. School, Isla Elem. School, JVR Elem. School, Inerangan, Payapa Elem. School)	4,861,134.32	Completed
11. Concreting of Road (M.H.DelPilar St.)	2,794,666.78	Completed
12. Concreting of Brgy. Roads (Burgos-Padlan, Malacanang, Nelintap, Lilimasan, Sapinit, Salinap, Balite Sur, Antipangol-Balaya, Calomboyan, Ano, Doyong)	21,914,170.43	Completed
13. Construction Footbridge – Brgy. Maliwara	874,233.39	Completed
14. Repair of Roofing (Fish Section) at New Public Market-Brgy. Roxas	1,620,080.70	Completed

3. AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS

The Audit Team rendered a qualified opinion on the fairness of presentation of the agency’s financial statements as the accuracy, validity and existence of the PPE accounts with the carrying amount of P901,487,325.67 could not be ascertained due to: (a) unvalidated PPE accounts of P9,595,263.56 for lack of inventory reports, property and subsidiary records; (b) unreconciled balances between the inventory report and accounting records amounting to P387,295,158.67; (c) no action was taken to dispose the unserviceable properties which were still included under the PPE accounts

4. FAVORABLE OBSERVATION

1. It is noteworthy to mention that for the year 2017, the City of San Carlos was awarded with the “Seal of Good Local Governance”(SGLG) sponsored by the Department of Interior and Local Government (DILG).
2. For the year 2017, LGU - San Carlos City has been continuously observing the Full Disclosure Policy in their operations. Guided by DILG Memorandum Circular No. 2011-134 dated September 19, 2011, the posting of required documents, statements and reports in publicly accessible and conspicuous places within the city has been consistently complied with by the City of San Carlos.

5. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

Summarized below are the significant audit observations and the corresponding recommendations which were discussed during the exit conference.

1. Provisions embodied in COA Circular No. 97-002 dated February 10, 1997 were not strictly adhered to resulting in an accumulated balance of unliquidated cash advances amounting to P22,780,499.89 as of December 31, 2017, thus, exposing the funds to possible misuse/misapplication of funds.

We reiterated past years' recommendation to the management through the City Accountant to demand for the immediate liquidation of all outstanding cash advances by issuing final demand letters direct to the persons concerned and if the liquidation is not effected, impose the sanction of withholding the salaries of those who still fail to settle their accounts after issuing the notice. Also, institute appropriate legal measures/ actions to compel all concerned officials and employees to settle their accounts especially those with huge account balances.

2. Titles of Land valued in the books at P41,131,499.31 which represents lots purchased by the city for the past years were not yet fully transferred to the name of the city, contrary to Section 39 of Presidential Decree (PD) 1445, thus ownership of said properties cannot be established.

We recommended to the management to cause the immediate transfer of ownership and registration of the lands purchased in the name of the city to address the risk of possible court litigation and to establish the proof of ownership.

3. The accuracy, validity and existence of the PPE accounts with the carrying amount of P901,487,325.67 could not be ascertained due to: (a) unvalidated PPE accounts of P9,595,263.56 for lack of inventory reports, property and subsidiary records; (b) unreconciled balances between the inventory report and accounting records amounting to P387,295,158.67; (c) no action was taken to dispose the unserviceable properties which were still included under the PPE accounts

We have reiterated our previous year's audit recommendations that the Local Chief Executive (a) create inventory committee to facilitate the completion of the inventory taking for all their properties and the preparation and submission of the corresponding report thereof, (b) require the City Accountant and their CGSO to maintain and update their respective property records and regularly reconcile them, (c) create disposal committee to take the appropriate action for the disposition of the unserviceable properties.

4. Loans Receivable - Others amounting to P4,515,806.33 remained uncollected despite being already due and demandable.

We recommended that management exert enough effort to collect the amount loaned to borrowers/cooperatives in order for the city to use the funds for intended priority projects.

5. Provisions of the Revised Implementing Rules and Regulations (IRR) of Republic Act No. 9184 (R.A. 9184) were not strictly followed, thus, some deficiencies were noted in the audit of the procurement activities of the City.
 - a. Notices to Proceed (NTP) and the approved contracts of infrastructure projects in the total amount of P86,349,256.90 awarded by the City for the Year 2017 were not posted in the PhilGEPS, contrary to Section 37.4.2 of the Revised IRR of Republic Act No. 9184 (R.A. 9184);
 - b. Technical evaluation and ocular inspection conducted by TAS showed that some infrastructure projects of the City had deficiencies amounting to P26,472,600.00.

We recommended that management:

1. Require the posting to PhilGEPs the results of bidding in accordance with Section 37.4.2 of the Revised IRR of Republic Act No. 9184 (R.A. 9184).
2. Require the correction of the noted deficiencies and the proper implementation of the infrastructure projects of the City to prevent the incurrence of such deficiencies in the future.

6. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC) AS OF YEAR-END

Particulars	Balance as of Dec 31 2016	CY 2017		
		Issuance	Settlement	Balance as of Dec. 31, 2017
Suspensions	1,140,441.29	-0-	-0-	1,140,441.29
Disallowances	87,450.34	-0-	43,200.00	44,250.34
Charges	-0-	-0-	-0-	-0-

7. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Status of Implementation	Quantity
Fully implemented	4
Partially implemented	5
Not implemented	3