

EXECUTIVE SUMMARY

A. INTRODUCTION

The Municipality of Casiguran was founded on June 13, 1609. It was created by virtue of Republic Act No. 649 dated June 14, 1951. Its territorial jurisdiction is composed of 24 barangays. It is surrounded by forest, mountains and sea. It is classified as a 2nd class municipality.

A Financial and Compliance Audit was conducted on the accounts and operations of the Municipality of Casiguran, Aurora for the year ended December 31, 2016. The objectives of the audit were 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.

B. FINANCIAL HIGHLIGHTS

The following comparative data show the financial condition, results of operation, and sources and application of funds for the calendar years 2016 and 2015.

	2016	2015	<u>Increase/</u> <u>(Decrease)</u>
Financial Position			
Assets	240,604,370.91	208,257,613.58	32,346,757.33
Liabilities	48,442,154.18	39,034,669.66	9,407,484.52
Government Equity	192,162,216.73	169,222,943.92	22,939,272.81
Results of Operation			
Income	151,270,146.01	137,631,532.55	13,638,613.46
Expenses	125,311,316.50	103,542,156.51	21,769,159.99
Surplus (Deficit) from current operations	25,958,829.51	34,089,376.04	(8,130,546.53)
Sources and Application of Funds			
Allotment	150,107,732.86	136,409,059.83	13,698,673.03
Obligations	130,154,869.34	104,733,883.84	25,420,985.50
Balances	19,952,863.52	31,675,175.99	(11,722,312.47)

C. AUDITOR'S REPORT

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements because : (1) the reliability of the year-end balances of the Property, Plant and Equipment (PPE) accounts amounting to ₱124,616,991.67 could not be ascertained due to (a) non-submission of the Report of Physical Count of PPE as of December 31, 2016

and failure to complete the physical inventory-taking of PPE; and (b) the omission of the Municipal Accountant and the OIC-General Services Officer to properly maintain PPE Ledger Cards (PPLCs) and Property Cards, respectively; and (2) the existence, validity and accuracy of the consolidated balance of Cash-in-Bank -Local Currency, Current Account (LCCA) amounting to ₱70,544,688.57 could not be ascertained due to (a)absence of Bank Reconciliation Statements for Special Education Fund and Trust Fund with account balances of ₱1,982,980.86 and ₱ 12,945,838.73 respectively; (b)non-adjustment of valid reconciling items in the amount of ₱993,763.77 in the Bank Reconciliation Statements of the General Fund; (c) non- reconciliation of the General Ledger with the Cashbook maintained by the Treasurer's Office and (d) lack of maintenance of Subsidiary Ledgers for each bank accounts.

D. SIGNIFICANT FINDINGS AND RECOMMENDATIONS

For the exceptions cited above, we recommended that the Municipal Mayor:

For property, plant and equipment:

- a. direct the OIC-GSO and Executive Assistant John DL. Roxas to harmonize their functions to work on the titling of all purchased lands and register in the name of Municipality all realties which were not yet covered by TCT;
- b. create an Inventory Committee to conduct annual physical count of all PPE items and to submit the physical inventory report thereon to the Auditor and to the Accounting Office and OIC-GSO for reconciliation purposes; and
- c. instruct the OIC-GSO to maintain property cards and the Municipal Accountant maintain RPLC for each land property and PPELC for each category of property to contain the necessary information relative thereto, and conduct periodical reconciliation of their records.

For Cash in Bank – Local Currency Current Account (LCCA)

- a. instruct the Municipal Accountant to prepare and submit the Bank Reconciliation Statements for Special Education Fund and Trust Fund to the Office of the Auditor within the prescribed period; effect the adjustments on the noted reconciling items and ensure that all are duly supported by valid and adequate documents; and maintain subsidiary ledger for each depository account to substantiate the existence, validity and accuracy of the balances appearing in the General Ledger.
- b. direct the Municipal Accountant and Municipal Treasurer to conduct immediate reconciliation of their records to determine the causes of discrepancy amounting to (₱3,636,559.31) and effect the necessary adjustments to reflect the correct balance of Cash in Bank – Local Currency Current Account.

In addition, the following are the significant findings and the corresponding recommendations:

1. The Municipality earmarked ₱6,565,309.60 to cover projects/programs/activities under the 20% Development Fund which are beyond the bounds of Joint Memorandum Circular No. 2011-1 dated April 13, 2011 of the Department of the Interior and Local Government (DILG) and Department of Budget and Management (DBM), restricting full utilization of such fund contributory to attain the desired results. Due to poor planning, 16 out of the 50 projects costing ₱8,800,000.00 were not implemented during the year. **(Observation No. 3)**

We recommended that the Municipal Mayor instruct the: (a) Municipal Development Council and Municipal Planning and Development Officer; (i.) to abide strictly with the guidelines in the formulation of the 20% Development Plan, otherwise, non-compliance thereto shall subject the concerned local officials to the sanction provided under the Local Government Code and under such other applicable laws; (ii.) implement fully the identified development projects under the 20% DF; (b) Municipal Budget Officer to revert the fund for unimplemented projects which are not among those enumerated to be chargeable to 20% DF; and (c) the members of the BAC schedule early all procurement activities pertaining to development projects to pave way for their timely implementation and completion.

2. Only four (4) of the fourteen (14) projects funded under the Bottom-Up-Budgeting (BUB) program for CY 2016 were completed as at year-end thus, the constituents of the Municipality were not optimally benefited from poverty reduction envisioned in the application of BUB pursuant to DBM-DILG-DSWD-NAPC Joint Memorandum Circular No. 6 dated December 27, 2015. Moreover, disbursements for BUB programs amounting to ₱5,532,300.80 for CY 2016 Local Poverty Reduction Action Plan (LPRAP) were deficient of documentary requirements as required under COA Circular No. 2012-001 dated June 14, 2012. **(Observation No. 4)**

We recommended that the Municipal Mayor: (a) instruct the BUB Focal Person of the respective implementing offices to strictly monitor the implementation of projects and take note of any gaps/issues for future references or subsequent administrative action; and (b) instruct the Bids and Awards Committee (BAC) and Municipal Accountant to strictly adhere to the provisions of R.A. No. 9184 for projects involving procurement and submit the lacking documents required under COA Circular No. 2012-001, to avoid suspension and/or disallowance in audit.

3. Non-priority expenditures totaling ₱307,085.36 were budgeted and charged to the Special Education Fund contrary to RA No. 5447, Section 100(c) of RA No. 7160 and Department of Education Culture and Sports/Department of Budget and Management/Department of Interior and Local Government Joint Circular No. 01 s. 1998 dated April 14, 1998 which may affect the effective and efficient delivery of top education programs. **(Observation No. 5)**

We recommended that the; (a) Local School Board to (i) prepare the SEF Annual Budget strictly in accordance with Sections 100(c) and 272 of RA No. 7160 and DECS-DBM-DILG Circular No. 01 s. 1998 where the budget should reflect an equitable distribution of SEF mandated priority projects; (ii) coordinate with the Department of Education Division of Aurora for the priority programs for the public schools to maximize the use of SEF; and (iii) stop the practice of charging ineligible expenses to avoid audit suspensions and disallowances in the fund and (b) Accounting Office and officers involved to strictly observe Section 4(6) of PD No. 1445 which states that claims against government funds shall be supported with complete documentation to avoid audit suspension and disallowances.

4. Failure to properly plan and monitor the implementation of Gender and Development (GAD) activities for CY 2016 amounting to ₱7,514,293.97 resulted in low accomplishment rate of 69.20% and partial realization of Municipality's GAD twin goals: gender equality and women empowerment, contrary to Philippine Commission on Women (PCW), Department of Interior and Local Government (DILG), Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013-01. (**Observation No. 6**)

We recommended that the Municipal Mayor: (a) instruct the Gender and Development Focal Point System (GFPS) to properly plan and regularly monitor the implementation of GAD projects and activities and prioritize those activities that can be undertaken for the budget year that would efficiently address the identified GAD issues in compliance with PCW, DILG, DBM and NEDA JMC No. 2013-01; and (b) direct the Municipal Planning and Development Officer to establish GAD database to gather information such as gender statistics and sex-disaggregated data to serve as inputs for planning, budgeting, programming and policy formulation.

5. Although the Municipality was able to fully document the receipt and utilization of Disaster Risk Reduction and Management Fund, cash and in-kind and distribution of relief goods for typhoon victims through the use and maintenance of equivalent reports, however, it failed to use the prescribed forms and reports on Disaster Risk Reduction Management (DRRM) contrary to COA Circular No. 2014-002 dated April 15, 2014, thus, the procedural controls that were developed to promote transparency and accountability in the use of disaster relief aid/donations and LDRRMF were not fully adhered to. The other audit observations together with the recommended courses of actions are discussed in detail in Part II of the report. These, along with the prior years' findings not yet or partially acted upon and included in Part III of the report, had been discussed with the officials and staff of that Municipality. (**Observation No. 7**)

We recommended that the Accounting Office, Supply and Property Unit and MSWDO revisit COA Circular No. 2014-002 dated April 15, 2014 and comply with the required records, reports and registries to be prepared and maintained for DRRM Funds, cash donation and donation-in-kind to further achieve transparency and accountability in the use of disaster relief aid/donations.

E. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCE, AND CHARGES AS OF DECEMBER 31, 2016

The audit suspensions, disallowances, and charges found in the examination of various transactions for all funds of the Municipality and the corresponding settlements made by management are as follows:

Notices	Beginning Balance (As of Dec. 31, 2015)	This period Jan. 1 to Dec. 31, 2016		Ending Balance (As of Dec. 31, 2016)
		Issuances	Settlement	
		NS/ND/NC	NSSDC	
Notice of Suspension (NS)	₱3,238,516.59	₱777,112.55	₱1,968,536.43	₱2,047,092.71
Notice of Disallowance (ND)	-	-	-	-
Notice of Charge (NC)	-	-	-	-
Total	₱3,238,516.59	₱777,112.55	₱1,968,536.43	₱2,047,092.71

F. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 36 audit recommendations contained in our prior years' audit report, 9 or 25% were fully implemented, 1 or 3% was partially implemented and 26 or 72% were not implemented.