

EXECUTIVE SUMMARY

A. Introduction

The municipality of Jose Panganiban is one of the coastal towns of the province of Camarines Norte. It is a 2nd class municipality which is about 37 kilometers from the capital town of Daet and 317 kilometers southeast of Manila. It has a total land area of 214.44 square kilometers and composed of 27 barangays.

Creation and Mandated Functions

The Municipality of Jose Panganiban was separated from the Municipality of Paracale in 1634. The town was formerly known as Mambulao, a word taken from "*mambulawan*," meaning bountiful in gold. It was renamed to honor Jose Maria Panganiban on December 1, 1934.

As mandated, the primary function of the agency provided under Republic Act (R.A.) No. 7160 otherwise known as the Local Government Code, is to coordinate and deliver the basic services and effective governance of the inhabitants within its territorial jurisdiction.

Audit Methodology and Scope of Audit

Financial and Compliance as well as Value for Money (VFM) audits were conducted on the accounts and operations of the Municipality of Jose Panganiban. The audit covered the period from January 1 to December 31, 2016. The Audit thrusts/areas issued by the commission for Financial and Compliance are: Cash, Inventories, Cash Advances, Property, Plant and Equipment (PPE), Trust Liabilities, Revenue, Compliance with Local Disaster Risk Reduction Management Fund (LDRRMF), Gender and Development (GAD), Solid Waste Management. The VFM Audit was focused on the 20% Community Development Fund.

The significant accomplishments of the municipality for CY 2016 which were validated by the audit team on a sampling basis are shown in the next page.

Projects/Activities	Appropriations	Expenditures	% of Accomplishments of targeted utilization
A. General Public Services	P 45,061,432.76	P 40,738,514.48	90.41%
B. Social Services			
a. Education	1,710,000.00	1,580,005.50	92.40%
b. Health, Nutrition and Population Control	12,596,202.00	11,720,005.93	93.04%
c. Labor and Employment	692,823.00	333,387.74	48.12%
d. Housing and Community Development	4,402,000.00	3,960,383.10	89.97%
e. Social Services and Social Welfare	10,476,653.32	7,152,824.80	68.27%
Total Social Services	29,877,678.32	24,746,607.07	82.83%
C. Economic Services	24,125,041.00	17,267,969.46	71.58%
D. Other Purposes			
a. Debt serv	6,912,673.00	2,970,562.81	42.97%
b. LDRRMF	7,033,241.00	3,311,006.31	47.08%
c. 20% Development Fund	25,044,715.00	16,072,196.38	64.17%
d. Allocation for Senior Citizen & PWD	1,805,506.00	1,511,380.15	83.71%
Total Other Purposes	40,796,135.00	23,865,145.65	58.50%
TOTAL	P 139,860,287.08	P 106,618,236.66	76.23%

B. Financial Highlights

B.1 Financial Condition and Results of Operations

	CY 2016 (In Peso)	CY 2015 (In Peso)	Increase (Decrease)	%
Financial Condition				
Assets	238,731,818.28	205,505,039.70	33,226,778.58	16.17%
Liability	84,470,829.72	88,424,888.51	(3,954,058.79)	-4.47%
Equity	154,260,988.56	117,080,151.19	37,180,837.37	31.76%
Results of Operations				
Income	142,452,138.37	127,653,895.09	14,798,243.28	11.59%
Expense	92,556,032.85	83,060,024.71	9,496,008.14	11.43%
Excess of Income	49,896,105.52	44,593,870.38	5,302,235.14	11.89%

B.2 Sources and Application of Funds

	CY 2016 (In Peso)	CY 2015 (In Peso)	Increase (Decrease)	%
General Fund:				
<i>Current Year Appropriations</i>				
Current Appropriations	139,860,287.28	145,737,543.29	(5,877,256.01)	-4.03%
Obligations Incurred	106,618,236.66	116,888,574.29	(10,270,337.63)	-8.79%
Unobligated Balances	33,242,050.62	28,848,969.00	4,393,081.62	15.23%
<i>Continuing Appropriations</i>				
Allotment	16,829,650.35	14,071,792.62	2,757,857.73	19.60%
Obligations	277,272.51	6,845,721.47	(6,568,448.96)	-95.95%
Balance	16,552,377.84	7,226,071.15	9,326,306.69	129.06%
Special Education Fund:				
Current Appropriations	1,800,000.00	1,800,000.00	-	0.00%
Obligations Incurred	1,177,399.14	1,236,961.87	(59,562.73)	-4.82%
Unobligated Balances	622,600.86	563,038.13	59,562.73	10.58%
<i>Continuing Appropriation:</i>				
Allotment	499,036.41	No Data from Last Year		
Obligations	-			
Balance	499,036.41			

C. Auditor's Opinion on the Financial Statements

The auditor rendered an unqualified opinion on the fairness of presentation of the financial statements because it present fairly, in all material respects, the financial position of the Municipality of Jose Panganiban, and the results of its operations and its cash flows for the year then ended in conformity with the Philippine Public Sector Accounting Standards and the generally accepted state accounting standards.

D. Summary of Significant Observations and Recommendations

The Audit Team has discussed/communicated the following findings and recommendations with the Auditee and that the latter's comments are incorporated in the report, where appropriate.

1. Weak internal control and monitoring over remittances made by the accountable officers resulted to an accumulated under remittance in the books totaling ₱227,180.94 as of December 31, 2016 in contrary with pertinent rules and regulations set forth to safeguard the cash account.

We recommended that management:

- Install controls and proper monitoring on remittances made by the collector;

- Require the collecting officers to double check the total collections and remittances;
 - Remit full and intact all collections received daily;
 - Demand for the deposit of unremitted collections from the erring accountable officer; and
 - Ensure that reconciliation with the accounting records are done monthly to avoid accumulation of unremitted collection.
2. Pertinent laws, rules and regulations on the granting, utilization and liquidation of cash advances were not strictly enforced, resulting to an accumulated balance of cash advances totaling ₱693,297.21 as of December 31, 2016.

We recommended that management:

- Install and implement strict internal control in the granting, utilization and liquidation of cash advances;
 - Monitor the outstanding cash advances of the official and act immediately for non-compliance;
 - Require all officials concerned to immediately refund/settle in full their outstanding cash advances:
 - For those incurred by incumbent officials, demand the immediate settlement of their cash advances through liquidation, refund, or as a honorarium deduction on a staggered basis;
 - For those incurred by ex-officials no longer in the service of the agency, demand the settlement of their cash advances through a letter received personally or by their family; and
 - For those incurred by deceased ex-officials, demand settlement of their cash advances against their estate;
 - Stop the practice of granting cash advances to officials unless their previous cash advances are fully liquidated;
 - Strictly comply with COA Circular Nos. 97-002 and 2012-004; and
 - Enforce Section 128 of Presidential Decree (P.D.) No. 1445 to erring personnel.
3. Non-maintenance of Summary of Supplies and Materials Issued (SSMI), Subsidiary Ledger Cards (SLC) and failure to prepare a Report of the Physical Count Inventories (RPCI) as required under the pertinent provisions of the MNGAS, Volume I, for Local Government Units (LGUs), prevented the verification and reconciliation between the actual physical inventory and the and recorded inventory per books amounting to ₱1,254,990.22 as of December 31, 2016, thus, casted doubt on the reliability of the latter.

We recommended that management, as part of internal control and monitoring, require the department heads accountable for the different kinds of inventories in the table shown in the previous page.

- Maintain a ledger of all incoming and outgoing supplies/goods;
- Adopt the use of RIS in each issuance of supplies; and
- Consolidate the RIS into SSMI and furnish the Municipal Accountant the same to facilitate the timely and accurate presentation of the inventories on hand in the financial statements.

We further recommended that management conduct physical count of all inventories at hand at least annually and prepare the RCPI to reconcile the recorded inventories in the books with the actual supplies/goods on hand.

4. The Report on the Physical Count of PPE (RPCPPE) for CY 2016 were not prepared and submitted to COA, hence, reconciliation between the physical count and accounting records were not conducted contrary to Section 114 and 124 of Manual of New Government Accounting System (MNGAS), Volume I, thus, casts doubts on the actual conditions and accuracy of the valuation of the recorded PPE in the financial statements.

We recommended that Management require the concerned officials to immediately finish and finalize the conduct of the inventory taking of all PPEs of the LGU and submit an accurate and completely accomplished RPCPPE duly reconciled with the Accounting and Property Offices, in accordance with the regulations.

5. The municipality remitted the taxes withheld from various sources to the system punctually in compliance with Revenue Memorandum Order (RMO) No. 8-2003 promoting the benefits derived from the Withholding Tax System (WTS).

We commended the diligence of Municipal Treasurer and Municipal Accountant in this aspect of their work in prompt remittance taxes withheld from various sources to the Bureau of Internal Revenue (BIR), that they were able to comply with the above cited provisions of the law and promoting the benefits derived from the WTS.

6. The municipality withheld Government Service Insurance System (GSIS) premiums/contributions from the salaries of its employees and remitted it to the system punctually in compliance with Section 5 and 6(b) of R.A. No. 8291 dated May 30, 1997.

We commended the diligence of Municipal Accountant in this aspect of her work and the Municipal Treasurer in prompt remittance of GSIS contributions, that they were able to comply with the above cited provisions

of the law, the benefits of which will eventually go down to the concerned employees of the government as a whole.

7. Receivables totaling ₱1,358,833.94 as of December 31, 2016 remained dormant for more than ten years due to the lack records, monitoring and strong collection policy which cast doubt on its collectability, thus, overstating the assets of the municipality.

We recommended that management:

- Direct the Municipal Accountant with the help of related officer concerned to review and recheck the validity and correctness of claims Receivables. If proven uncollectible initiate a request for write-off from the Commission on Audit pursuant to COA Circular No. 2016-005 in order to present the current assets reliable in the financial statements;
 - Maintain records and schedule of every receivable accounts and include the date of recognition of the receivable the Schedule of Accounts Receivable to facilitate the evaluation of its collectability; and
 - Require the Municipal Treasurer to strengthen the collection process and monitoring of the receivables of the municipality to avoid future loss due to write off of uncollectible accounts.
8. Obligations dormant for more than two years which no actual claim was filed totaling ₱442,540.08 as of December 31, 2016 could have been reverted back to the general fund, thus, funds tied up to the account could have been used for priority projects or services to its constituents.

We recommended that the Municipal Accountant review the validity of payable accounts and reconcile the same with other related accounts, if possible. If the review shows that these payables have been outstanding for more than two years and if no valid claims against the LGU or if these are not covered by perfected contracts on record, these may be reverted to the general fund.

9. Institutional mechanisms to implement the Magna Carta of Women (MCW) such as formulation and implementation of the GAD Code and ensuring that a Department of the Interior and Local Government (DILG) - approved GAD Plan and Budget (GPB) were incorporated in the annual budget were not in place contrary to DILG, Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2013-01, thus, providing no assurance that gender mainstreaming in its policies, programs, and projects was achieved.

We recommended that management:

- Require the Department Heads to distinguish their GAD related activities especially the Municipal Health Office, Municipal Social Welfare Office, with the help of Municipal Budget Officer, to facilitate the GAD Secretariat to formulate GPB with projects and activities equal to at least five percent of the total appropriation of the municipality;
- With collaboration with the Sanggunian Bayan, formulate a GAD Code and implement it within the LGU and its barangays;
- Follow the Calendar Schedule for the preparation of GPB for LGUs and ensure that a DILG-approved GPB is incorporated in the Annual Budget. Also, make sure that the former will not hinder the timely preparation of the latter; and
- Follow DILG-DBM-NEDA JMC No. 2013-01, to fully address and implement applicable provisions in the convention on the elimination of all forms of discrimination against women and promote gender equality within the municipality.

10. Expenditures amounting to ₱743,509.83 were improperly charged to Special Education Fund (SEF) contrary to Section 272 of R.A. No. 7160, Item No. 4 of the Department of Education, Culture and Sports (DECS), DBM and DILG Joint Circular No. 1 series of 1998 and Item No. 1.4 of Letter of Instruction No. 1462, s. 1985, thus, resulted in the reduction of funds that may be used to finance priority programs, projects and activities of public schools within the locality.

We recommended that the Management:

- Advise the members of the Local School Board, in the preparation of School Board budget to give priority to programs, activities and projects enumerated in Section 272 of the Local Government Code and Joint Circular No. 01, s. of 1998 of the DECS-DBM-DILG and therefore must utilize the proceeds of the SEF only for such purposes prescribed by law; and
- Strictly follow Section 272 of R.A. No. 7160 and Item 4.0 of DECS, DBM and DILG JC No. 01, s. 1998 in charging expenditure to the SEF.

11. Of the 54 projects programmed under the 20% Development Fund (DF), 17 were not implemented and 15 were partially implemented amounting ₱5.96 million and ₱2.80 million, respectively, depriving the constituents of the benefits that could have been derived there from.

We recommended that management:

- Commit to the early enactment of the Annual Investment Plan of the municipality, particularly for 20% DF, on or before the first day of the budget year;
- Strengthen the planning, execution and supervision for the implementation of the projects under 20% DF;
- Comply with the requirements of Section 2.1.5 of National Budget Circular No. 561 for the comprehensive release of funds of BuB projects from other agencies; and
- Ensure that the 20% of the Internal Revenue Allotment (IRA) is optimally utilized in the prompt implementation of programs and projects to achieve the desirable socio-economic development and as prescribed under DILG-DBM JMC No. 2011-1.

12. The Municipality has not yet completed and enacted a Municipal Comprehensive Land Use Plan (MCLUP) contrary to pertinent rules and regulations which casts doubt on the continuity, comprehensiveness and the directions of their short term development plan and provide no assurance that the same is aligned with the national agenda for sustainable development.

We recommended that management:

- Accelerate the completion of the CY 2014 Community Based Monitoring System consolidated result and incorporate it to the Environmental Profile produced by the School of Urban and Regional Planning of the University of the Philippines to enhance its reliability, applicability and value;
- Prioritize and fast-track the preparation of MCLUP before the end of the three-year period of the elected officials;
- With collaboration with the Sangguniang Bayan, immediately enact the MCLUP;
- Make certain that Comprehensive Development Plan and Executive and Legislative Agenda align with the completed MCLUP; and
- Ensure that, overtime, update the MCLUP when necessary.

13. Delay in implementing of an ideal Solid Waste Management as provided for by R.A. No. 9003 exposes the Municipality to the threats of the negative effects of solid waste to health, environment and aesthetics that could hamper the development of the LGU.

We recommended that Management give priority to Solid Waste Management by:

- Giving an ample budget to the Solid Waste Management;
- Strengthen the implementation of Ordinance No. 012-2005 especially to the remaining 60% of barangays;

- Encourage the community to participate in Solid Waste Management;
- Fast-track the evaluation of any alternative to the construction of a sanitary landfill; and
- Fully implement R.A. 9003 for the optimum management of the Municipality's solid waste.

14. Vouchers from CY 2013 to 2016 totaling ₱523,172.57 as of December 31, 2016 were not submitted to the COA which preventing the audit and evaluation of the disbursements made, thus, casted doubt on its legality and propriety contrary to Section 44, Volume 1 of the MNGAS.

We recommended that the management:

- Strengthen the controls of the disbursement process particularly the submission of the paid vouchers to the Municipal Accountant for proper recording and submission to the COA;
- Monitor the transactions of the municipality on a regular basis and take action of any deficiency as soon it arises;
- Require the submission of the disbursement vouchers totaling ₱532,172.57;and
- Adhere strictly to the rules and regulations mandated on the proper disbursement of government funds and submission of reports, without prejudice to the issuance of the Notice of Suspension/Disallowance.

15. Copies of contracts for CY 2016 with a threshold of below ₱500,000.00 totaling ₱3,139,397.84 and all its required supporting documents were not submitted to the office of the Auditor within five days from its execution, pursuant to COA Circular No. 2009-001 dated February 12, 2009, thus, review and evaluation to determine compliance with R.A. No. 9184 were not made on time.

We recommended that management require the Bids and Awards Committee (BAC) to adhere strictly to COA Circular No. 2009-001 and R.A. No. 9184 and the BAC secretariat to ensure that contracts entered into by the municipality, together with its complete supporting documents are submitting within a reasonable time to the office of the Auditor to facilitate its timely evaluation.

E. Summary of Total Suspensions, Disallowances and Charges as of Year-End

Particulars	Balances as of 1/1/16	CY 2015		Balances as of 12/31/2016
		Issued	Settled	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

F. Status of Implementation of Prior Years' Audit Recommendations

Out of the 20 recommendations contained in the Annual Audit Report for calendar year 2016 and prior years, six were fully implemented, four were partially implemented and the remaining ten were not implemented.