

EXECUTIVE SUMMARY

A. INTRODUCTION

Camaligan is a fifth class Municipality in the Province of Camarines Sur. According to the 2015 census, it has a population of 24,109 people. It has a land area of 4.68 square kilometers and composed of 13 barangays.

Audit Methodology and Scope of Audit

The Financial, Compliance and Value for Money (VFM) audits conducted covered the accounts and operations of the Municipality of Camaligan, Camarines Sur for all funds for the period January 1 to December 31, 2016.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency with prescribed rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

The audit was focused on the different audit thrusts/areas issued by the Local Government Sector of the Commission.

B. FINANCIAL HIGHLIGHTS

B.1 Financial Condition and Results of Operation

Particulars	In Philippine Peso			% of Increase (Decrease)
	CY 2016	CY 2015	Increase/ (Decrease)	
Financial Condition				
Assets	118,379,566.87	99,489,630.78	18,889,936.09	19.0%
Liabilities	41,282,126.26	31,763,429.52	9,518,696.74	30.0%
Government Equity	77,097,440.61	67,726,201.26	9,371,239.35	13.8%
Financial Operations				
Total Income/Subsidies	58,700,476.23	54,565,408.43	4,135,067.80	7.6%
Total Expenses/Subsidies	49,685,209.03	42,598,120.69	7,087,088.34	16.6%
Net Surplus	9,015,267.20	11,967,287.74	(2,952,020.54)	(24.7%)

B.2 Sources and Application of Funds

Particulars	In Philippine Peso			% of Increase (Decrease)
	CY 2016	CY 2015	Increase/ (Decrease)	
General Fund				
Allotments	46,749,933.03	14,695,948.10	2015 data was for EDF & LDRRM only	
Obligations	46,264,047.13	1,404,553.66		
Balance	485,885.90	13,291,394.44		
Special Education Fund				
Allotments	633,500.00	630,000.00	3,500.00	0.6%
Obligations	527,337.13	457,479.69	69,857.44	15.3%
Balance	106,162.87	172,520.31	(66,357.44)	(38.5%)

C. OPERATIONAL HIGHLIGHTS

Some of the major projects reported as implemented by LGU Camaligan during the year are shown in the table below:

Project/Program/Activity	Quantity	Amount (P)
Road Reblocking	3	9,237,058.53
Construction of Buildings	2	4,371,372.71
Other Infrastructure Projects	4	3,776,296.08
Total		<u>₱ 17,384,727.32</u>

Due to time constraint, the team was not able to validate the existence of the above projects.

D. INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of the presentation of the financial statements as of December 31, 2016 because (1) One hundred thirty three checks were issued and encashed totaling ₱5.449 million without disbursement vouchers (DVs) hence not recorded while reconciling items totaling ₱1.123 were not adjusted in the books; (2) Fifteen disbursement vouchers totaling ₱2.276 million were not submitted for audit; (3) Cash advances totaling ₱1.963 million remained unliquidated as of December 31, 2016; and (4) The correctness and existence of the balances of the movable Property, Plant and Equipment cannot be ascertained due to the unreconciled difference of ₱18.61 million between the accounting and property records.

E. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

For the exceptions mentioned earlier, we recommended that Management:

- a.) require the Municipal Accountant to review and recheck the bank reconciliation and prepare the necessary adjusting entries; require the Municipal Treasurer to immediately submit the disbursement vouchers totaling ₱5.449 million for the proper recording by the Municipal Accountant; and instruct the Municipal Accountant to religiously prepare and submit bank reconciliations for each bank account on a monthly basis;
- b.) create an Inventory Committee that shall conduct a periodic and complete physical count of all PPE of the Municipality. Likewise, the Committee shall prepare the RPCPPE based on the actual physical inventory taking made; require the Accounting Office to maintain a complete and updated PPE Ledger Cards (PPELC) to support the General Ledger balances; direct the Treasury Office to keep corresponding Property Cards (PC) for control purposes which should contain the complete description of the properties to facilitate its identification; and require the reconciliation of RPCPPE with the property records of each class of property at the Treasury Office and the PPELC maintained at the Accounting Office; and
- c.) demand the immediate liquidation of all cash advances or deduct from salaries long overdue cash advances; send final demand letters to prosecutors and teachers who still have unliquidated cash advances with the Municipality; instruct the Office of the Municipal Accountant to monitor the grant of cash advances, enforce strictly the immediate liquidation thereof; and no additional cash advance be granted if previous cash advance has not been liquidated; Also, ensure that only cash advance for travelling expenses are granted to elective officials; send final demand letters to officers and employees previously employed by the Municipality, otherwise, officials responsible for clearing said individuals from money accountability be held liable for the unsettled cash advances; and request for authority to write-off the unliquidated cash advances especially those pertaining to deceased accountable officers.
- d.) require the immediate submission of the 15 DVs totaling ₱2.276 million.

The Audit Team has communicated the observations and recommendations with the Auditee through the issuance of Audit Observation Memorandum (AOMs) and discussed them with agency officials during the exit conference conducted on March 9, 2017. Their comments and explanations were incorporated in the report, where appropriate.

The following are the significant observations together with the corresponding recommendations:

- 1.) One hundred thirty three checks were issued and encashed totaling ₱5.449 million without disbursement vouchers (DVs) hence not recorded while reconciling items totaling ₱1.123 million were not adjusted in the books.

We recommended that Management require the Municipal Accountant to review and recheck the bank reconciliation and prepare the necessary adjusting entries; require the Municipal Treasurer to immediately submit the disbursement vouchers totaling ₱5.449 million for proper recording of the Municipal Accountant; and instruct the Municipal Accountant to religiously prepare and submit bank reconciliations for each bank account on a monthly basis.

- 2.) Discrepancy of ₱18.6 million existed between the book balances of movable PPE and the submitted RPCPPE as of December 31, 2016.

We recommended that Management create an Inventory Committee that shall conduct a periodic and complete physical count of all PPE of the Municipality. Likewise, the Committee shall prepare the RPCPPE based on the actual physical inventory taking made; require the Accounting Office to maintain a complete and updated PPE Ledger Cards (PPELC) to support the General Ledger balances; direct the Treasury Office to keep corresponding Property Cards (PC) for control purposes which should contain the complete description of the properties to facilitate its identification; and require the reconciliation of RPCPPE with the property records of each class of property at the Treasury Office and the PPELC maintained at the Accounting Office.

- 3.) Cash advances granted in CY 2016 and prior years totaling ₱1.963 million remained unliquidated as of December 31, 2016.

We recommended that Management demand the immediate liquidation of all cash advances or deduct from salaries long overdue cash advances; send final demand letters to prosecutors and teachers who still have unliquidated cash advances with the Municipality; instruct the Office of the Municipal Accountant to monitor the grant of cash advances, enforce strictly the immediate liquidation thereof; and no additional cash advance be granted if previous cash advance has not been liquidated; Also, ensure that only cash advance for travelling expenses were granted to elective officials; send final demand letters to officers and employees previously employed by the Municipality, otherwise, officials responsible for clearing said individuals from money accountability be held liable for the unsettled cash advances; and request for authority to write-off the unliquidated cash advances especially those pertaining to deceased accountable officers.

- 4.) Additional personnel benefits/incentives in the total amount of ₱1.339 million were granted to all officials and employees, including Job Order workers (JOs) and consultants in CY 2016 without legal basis, thus, constitute irregular expenses.

We recommended that Management: (a.) ensure that payment of additional benefits to its officials and employees are paid in accordance with approved administrative order from the Office of the President; and (b.) require the refund of additional cash incentive and financial assistance totaling P1,339,000.00 to forestall the issuance of Notice of Disallowance.

- 5.) Disbursements for infrastructure projects exceeded their appropriation by ₱0.745 million.

We recommended that Management refrain from making piece-meal and untimely reprogramming/ realignments of budget during the year and take into account all unutilized appropriations and the existing need for the projects; meticulously prepare their annual budgets especially that of the local development fund and as much as possible look into the practicability of the project before deciding to include it in the budget so that those extremely necessary and feasible projects find their way in the budget; remind all concerned officials to exercise due care and diligence in the performance of their duties so that only those funded projects are implemented; require the MBO to update records to determine proper balances of the budget for EDF and ultimately determine the total amount of each appropriation, obligations and un-obligated balances before making further re-alignments/ reprogramming.

E. SUMMARY OR AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

Particulars	Balance as of Jan 1, 2016	CY 2016		Balance as of Dec 31, 2016
		Issued	Settled	
Suspensions	₱ 1,701,721.24			₱ 1,701,721.24
Disallowance	154,000.00			154,000.00
Charges				
Total	₱ 1,855,721.24	--	--	₱ 1,855,721.24

F. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We monitored and verified the implementation of the audit recommendations contained in CY 2015 Annual Audit Report and noted that out of the twenty-two (22) audit recommendations, two(2) were fully implemented, ten (10) were partially implemented and ten (10) were not implemented as of December 31, 2016.