

EXECUTIVE SUMMARY

A. Introduction

This is the Annual Audit Report on the Municipality of San Miguel, Province of Catanduanes for the calendar year ended December 31, 2016.

The report contained the result of the financial and compliance audit conducted on the operations and accounts of the LGU covering the period from January 1, 2016 to December 31, 2016. The audit was focused on the audit thrusts under COA Unnumbered Memorandum dated July 28, 2016, re: Audit Thrusts for CY 2016. Unimplemented prior years' audit recommendations with significant amounts and effects on the financial statements, and other programs, transactions and accounts which the Audit Team considered significant were also included in audit.

The audit included substantive test of details, transactions and account balances conducted through physical examination, confirmation, observation, inquiry, recalculation, retracing, vouching, scrutiny and comparison.

The audit also included analytical review of selected income statement accounts and LGU's budget items for CY 2016. The audit objective was to determine the validity and legality of expenditures, and the reasonability and reliability of the budget.

B. Financial Highlights

In CY 2016 the LGU's Assets, Liabilities, Government Equity, Income and Expenses had increased by P22,745,412.09, P9,403,567.40, P13,341,844.69, 10,493,376.76 and P13,352,903.85 respectively, as compared with CY 2015 balances, comparative data are shown below.

CY 2016 and 2015 Assets, Liabilities, Equity, Income and Expenses:

Account	CY 2016	CY 2015	Increase (Decrease)
Assets	P 85,971,469.18	P 63,226,057.09	P 22,745,412.09
Liabilities	P 18,484,741.04	P 9,081,173.64	P 9,403,567.40
Government Equity	P 67,486,728.14	P 54,144,883.45	P 13,341,844.69
Income	P 63,963,111.70	P 53,469,734.94	P 10,493,376.76
Expenses	P 52,160,580.39	P 38,807,676.54	P 13,352,903.85

Likewise, in CY 2016, total appropriation/allotment and obligation had increased by P2,872,395.16 and P4,226,982.33 respectively, comparative data are presented below:

CY 2016 and 2015 Appropriation, Allotment and Obligation:

Particular	CY 2016	CY 2015	Increase (Decrease)
Appropriation and Allotment			
Personal Services	P 30,923,264.71	P 27,131,850.25	P 3,791,414.46
MOOE	12,357,910.87	12,413,663.43	(55,752.56)
Capital Outlay	1,155,452.51	1,629,000.00	(473,547.49)
Special Purpose	16,485,105.46	16,874,824.71	(389,719.25)
Total Appropriation and Allotment	P 60,921,733.55	P 58,049,338.39	P 2,872,395.16
Obligation			
Personal Services	P 30,923,264.71	P 27,131,850.25	P 3,791,414.46
MOOE	11,036,576.78	10,016,294.76	1,020,282.02
Capital Outlay	1,155,452.51	1,440,553.01	(285,100.50)
Special Purpose	7,057,467.11	7,357,080.76	(299,613.65)
Total Obligation	P 50,172,761.11	P 45,945,778.78	P 4,226,982.33

C. Auditor's Opinion on the Financial Statements

The Auditor rendered a disclaimer of opinion on the fairness of presentation of the financial statements due to the failure of LGU San Miguel to prepare and submit bank reconciliation statements for its Cash in Bank account amounting to P58,701,876.20 which is 68% of its total assets and conduct physical count, submit inventory report and reconcile the same with accounting records, for its Property, Plant and Equipment with net book value of P21,039,526.25 as of December 31, 2016. The inadequacy of its records did not permit us to apply adequate alternative procedures to determine the validity, existence and correctness of balances appearing in the books of the agency.

D. Summary of Significant Observations and Recommendations

1. The accuracy of the Cash in Bank-LCCA amounting to P58,701,876.20 could not be ascertained due to the failure of the Municipal Accountant to submit to COA the bank reconciliation statements.

We recommended the immediate submission of the bank reconciliation statements for verification in audit. Likewise, require the Municipal Accountant to always ensure that monthly bank reconciliation statements are prepared within 10 days from receipt of the bank statements and thereafter submit to COA for verification. This is to ensure that deficiencies and errors in the previous months are immediately detected and corrected in the succeeding months.

We also recommended that deficiencies and errors uncovered in the reconciliation be immediately adjusted and corrected to bring the cash in bank balance to correct balance as of the year-end.

2. Cash advances totaling P900,327.12, most of which have been outstanding for 1-5 years, remained unliquidated as of December 31, 2016 contrary to Section 89 of Presidential Decree No. 1445 and the provisions of COA Circular No. 97-002 dated February 10, 1997, resulting to the understatement of affected expense accounts and overstatement of Assets and Government Equity account.

We reiterate our recommendations that Management:

- a) Strictly enforce the settlement of all unliquidated cash advances as of December 31, 2016;
 - b) Stop the granting of additional cash advances to Accountable Officers, officials and employees unless the previous ones are fully settled, to avoid accumulation of the same; and
 - c) Institute the appropriate legal actions/sanctions against those erring accountable officers/employees for continued non-compliance with the existing rules and regulations on the granting, utilization and liquidation of cash advances, if warranted.
3. The existence and correctness of the property, Plant and Equipment (PPE) amounting to P21,039,526.25 as of December 31, 2016 could not be ascertained due to the non-conduct of physical count contrary to Section 124 of the Manual on the New Government Accounting System (NGAS) Volume I thus, no Report on the Physical count of Property, Plant and Equipment (RPCPPE) was prepared and submitted hence, validity, existence and propriety of the PPE accounts were doubtful.

We recommended the following:

- a) The Local Chief Executive create an Inventory Committee and require the same to conduct physical inventory and render report thereon as required under Section 124, Chapter 7, Volume I of the NGAS Manual. Regularly monitor the progress of the inventory taking;
- b) Thereafter, the Committee, the General Services Office and the Municipal Accounting Office reconcile all the inventory reports with the books of accounts; and
- c) Require the designated Property Officer to maintain property cards and update them periodically to aid in the conduct of physical count and to

solve or minimize the perennial problem of unreconciled Accounting and Property records.

4. The Municipal Government of San Miguel had not efficiently implemented the programs and projects under the 20% Economic Development Fund (EDF) as embodied in their Annual Investment Plan (AIP) of 2016 with an average accomplishment of only 37%. Some projects were not implemented thereby, depriving the intended beneficiaries of the immediate benefits that could be derived therefrom.

We recommended an optimum and efficient utilization of the 20% EDF and achieve the desired socio economic development and environmental outcomes by ensuring that one hundred percent of the programmed projects and activities funded by the 20% EDF are given priority in its implementation to ensure that the ultimate beneficiaries can avail of the projects once completed.

5. The LGU of San Miguel has no approved Solid Waste Management Plan for CY 2016 and for the past years thus, the agency had no established systems, procedures and processes to effectively implement waste management functions as mandated by RA No. 9003.

We recommended that the Local Chief Executive require the Solid Waste Management Board, the Municipal Planning Office and the Departments involve in planning and conceptualizing the Solid Waste Management Plan to give their full attention in the implementation of the Solid Waste Management Plan of the LGU.

E. Status of Suspension, Disallowances and Charges

Particulars	Suspensions	Disallowances	Charges
Balance, January 1, 2016	P27,216,452.48	P 17,821,820.13	P 0.00
Add: Issued, January 1, 2016- December 31, 2016	14,711,319.83	0.00	0.00
Less: Settled, January 1, 2016- December 31, 2016	4,871,993.17	0.00	0.00
Balance, December 31, 2016	P37,055,779.14	P 17,821,820.13	P 0.00

F. Status of Implementation of Prior Years' Audit Recommendations

Out of the 14 prior years' audit recommendations, five (5) were fully implemented six (6) were partially implemented and three (3) were not implemented.

LGU's explanations for the partial implementation and non-implementation of prior years' audit recommendations are incorporated in Part III of this report.