

## EXECUTIVE SUMMARY

### A. INTRODUCTION

The Municipality of Casiguran is the oldest town in the Province of Sorsogon. It was officially organized as pueblo in the year 1800. It is a 4th class municipality composed of 25 barangays.

The LGU is envisioned to be a model for academic excellence, public health and safety, environmental preservation and good governance, providing equal opportunity for all its constituents in a peaceful, friendly atmosphere through a God-centered leadership of the incumbent elected officials.

Some of the major projects implemented by the Municipal Government of Casiguran during the year are shown in the table below:

<b>Project/Program/Activity</b>	<b>Cost (₱)</b>
1. Construction of Flood Control Phase 2 (Boton)	12,486,650.00
2. Concreting of Trece Martires-Boton Road	6,961,980.00
3. Construction of 4-unit Solar Dryer	980,000.00
4. Rehabilitation and Improvement of Interfaith Cemetery	1,139,100.00
5. Rehabilitation and Improvement of Municipal Hall	3,005,630.00
6. Rehabilitation and Improvement of Municipal Gymnasium	6,470,835.00
<b>Total</b>	<b>31,044,195.00</b>

### Audit Methodology and Scope of Audit

The Financial, Compliance and Value for Money audits conducted covered the accounts and operations of the Municipal Government of Casiguran for all Funds for the period January 1 to December 31, 2016. The objectives of the audit are to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; (c) determine compliance with existing rules and regulations; and (d) determine the extent of implementation of prior year's audit recommendations.

The audit was done on a sampling basis and various techniques were used like verification/confirmation, observation, and interview with concerned officials and employees, evaluation of control system/s, and other auditing procedures and techniques considered necessary under the circumstances.

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 Position and Results of Financial Performance

Particulars	CY 2016	CY 2015	Increase/(Decrease)
	Amount (₱)		
<b>Financial Position</b>			
Total Assets	366,458,828.40	273,210,220.06	93,248,608.34
Total Liabilities	226,483,664.31	229,832,152.42	(3,348,488.11)
Government Equity	139,975,164.09	43,378,067.64	96,597,096.45
<b>Results of Financial Performance</b>			
Total Income	82,495,509.47	75,475,862.60	7,019,646.87
Expenses:			
Personal Services	36,780,033.28	32,368,453.11	4,411,580.17
MOOE	26,696,497.49	20,867,528.39	5,828,969.10
Other Expenses	10,794,476.93	1,881,519.68	8,912,957.25
Total Expenses	74,271,007.70	55,117,501.18	19,153,506.52
Net Surplus	8,224,501.77	20,358,361.42	(12,133,859.65)

### B.2 Sources and Application of Funds

Particulars	CY 2016	CY 2015	Increase/ (Decrease)
	Amount (₱)		
<b>General Fund</b>			
Allotments	83,191,031.00	80,418,196.01	2,772,834.99
Obligations	68,007,209.02	67,251,092.43	756,116.59
Balance	15,183,821.98	13,167,103.58	2,016,718.40
<b>Special Education Fund</b>			
Allotments	350,000.00	461,840.00	(111,840.00)
Obligations	0.00	366,550.90	(366,550.90)
Balance	350,000.00	95,289.10	254,710.90
<b>Amounts Transferred from/to NGAs, NGOs and POs</b>			
Amount Transferred from	12,924,662.74	5,457,590.00	7,467,072.74
Amount Transferred to	0.00	0.00	0.00

## C. INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements since (1) the accuracy and reliability of the balances of the Due from Other Funds and Due to Other Funds accounts were doubtful due to significant variance amounting to ₱29.68 million between the reciprocal accounts; (2) the Cash in Bank-Local

Currency Current Account and Cash in Bank-Local Currency Savings Account amounting to ₱9.16 million and ₱716,565.09, respectively, were unreliable due to negative balances and several deficiencies noted; and (3) the accuracy, existence and validity of the Property, Plant and Equipment cannot be fully ascertained due to a discrepancy amounting to ₱3.91 million between the physical count and accounting records.

#### **D. SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

For the exceptions cited, we recommended to review and analyze the reconciling items of the reciprocal accounts, and take-up necessary adjustments in the respective books of accounts; require the Municipal Accountant to immediately record all identified reconciling items of the Cash in Bank account/s duly supported with corresponding documents as well as investigate the causes of the negative balances; and exert extra effort to reconcile the discrepancies between property and accounting records.

The Audit Team has communicated the observations and recommendations with the Auditee through the issuance of Audit Observation Memoranda (AOMs) and discussed them with the Agency officials concerned during the exit conference conducted on July 7, 2017, and the latter's comments are incorporated in the report, when appropriate. The following are the significant observations together with the corresponding recommendations:

1. Cash advances amounting to ₱3.68 million remained unliquidated at year-end, contrary to Section 89 of P.D. 1445, COA Circular Nos. 97-002 and 2012-004, thus casted doubt on the reliability of the asset and expense accounts by the same amount.

We reiterated our prior years' audit recommendations that the Municipal Government:

- a. Require the concerned officer/s to liquidate/settle immediately their outstanding cash advances by demanding the immediate submission of duly accomplished liquidation reports. Otherwise, withhold any money due them;
- b. Require the Municipal Accountant to trace entries that resulted to unusual/negative balances in the Advances for Payroll account and rectify errors in the recording of transactions to ensure proper monitoring of liquidation of cash advances and implementation of existing rules and regulations on cash advances; and
- c. Comply with the provisions of COA Circular 97-002 and ensure proper granting, utilization and liquidation of cash advances.

2. The Cash-Local Treasury (1-01-01-010) account had an outstanding balance of ₱737,641.98 under Special Education Fund which indicated that collections were not deposited intact at the authorized government depository bank and the weak internal control system in the handling of cash resulted in the incurrence of negative balances of ₱597,764.11 and ₱213,212.14 under the General and Trust Funds' subsidiary ledgers of the present Municipal Treasurer, respectively, which totalled ₱810,976.25.

We reiterated our prior year recommendation that Management require the:

- a. Municipal Treasurer to deposit all collections regularly and intact at the authorized government depository bank;
  - b. Municipal Treasurer to submit all RCDs to the Accounting Office on time, and the Municipal Accountant to record transactions on the month they occur and render complete and accurate recording as well;
  - c. Municipal Treasurer and Municipal Accountant to review the RCDs and the recorded amounts in the cashbook and ledger, determine the causes of discrepancies and record the necessary adjusting entries; and
  - d. Municipal Accountant to trace the entries made that resulted in the negative balance of the Cash-Local Treasury account, especially on prior year transactions, and effect the necessary adjusting entries to present the correct amount of the Cash-Local Treasury account in the financial statements.
3. The Municipality had an efficiency rating of 67 per cent on the over-all implementation of the projects and programs under the 20 Per Cent Development Fund totaling ₱19.604 million, hence, some of the projects aggregating ₱4.631 million were not fully implemented, thus deprived the intended beneficiaries of the immediate benefits that could have been derived therefrom, contrary to Section 5.0 of DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

We recommended that Management require the MPDO and other offices concerned to prioritize and fast track the implementation of unimplemented and on-going PPAs under the 20 per cent development fund of the Municipality, if still found to be feasible and beneficial to undertake, in order to recover from the low efficiency rating that might otherwise affect the efficiency for the following year; and to attain optimal socio-economic and environmental management outcomes.

4. Procurement of office supplies, construction materials, office equipment, food items and other goods and services totaling ₱7.94 million were made through reimbursements instead of direct payment to suppliers, contrary to the RIRR of R.A. No. 9184, which prevented the withholding of the appropriate taxes and

without assurance that the goods were procured at the most advantageous price to the Municipality.

We recommended that Management discontinue the practice of procuring goods and services on reimbursement basis, and payment of these items be made directly to the supplier/dealer; and that appropriate procurement procedure shall be strictly adhered to. We further recommended that Management use the alternative methods of procurement provided under the Revised Implementing Rules and Regulations of R.A. 9184, if public bidding is not feasible.

**E. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AS OF YEAR-END**

Particulars	Balances as of 01/01/2016	CY 2016		Balances as of 12/31/2016
		Issued	Settled	
Notice of Suspension	0	0	0	0
Notice of Disallowance	0	0	0	0
Notice of Charge	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**F. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Out of the 53 audit recommendations contained in prior years' Annual Audit Report, 14 were fully implemented, eight were partially implemented and 31 were not implemented as of December 31, 2016.