

EXECUTIVE SUMMARY

A. Introduction

The Municipality was created by virtue of Executive Order No. 269 by then President Elpidio Quirino on September 28, 1949. It is a 3rd class municipality located on the southern part of Isabela. It has a total land area of 27,840 hectares more or less that traverse the Cagayan River. Estimated population is at 24,818 as of the latest local census. The latest local census however, counts population at 24,818. It consists of 23 barangays. Agriculture is the main source of income so farming is the dominant economic activity of the people. The municipality is popular for its abundance of banana and native mango. San Agustin is also known as the home of mestizo "Murray" buffaloes and is branded as the "HOME OF THE NUANG FESTIVAL." Hence, every September it celebrates this festivity which coincides with the town's founding anniversary.

The municipality is presently working on its additional territory under the DENR Administrative Order No. 4-1915.

At present, there are 219 officials and employees in the LGU consisting of eleven (11) elective officials; fourteen (14) appointive officials; forty five (45) rank and file; two (2) co-terminus and one hundred forty seven (147) job orders

The audit covered the accounts and operations of the municipality for the year 2016 and was aimed at determining whether 1) management presented fairly the financial statements of the municipality in adherence to the Philippine Public Sector Accounting Standards; 2) whether prevailing laws, rules and regulations have been complied with; 3) whether funds were utilized in the most efficient, effective and economical manner. A financial and compliance audit was conducted to achieve these audit objectives. In determining our audit trust for the year, we are guided by COA Memorandum dated, July 4, 2016, July 28, 2016, September 26, 2016 and October 11, 2016 relative to the audit instruction for CY 2016 for LGUs.

B. Highlights of Financial Information

Presented below is the financial highlights of the Municipality for CY 2016 as compared to the figures of CY 2015:

	CY 2016	CY 2015	% of Increase (Decrease)
Assets	₱163,500,705.19	₱121,309,114.10	34.78%
Liabilities	63,596,276.87	50,551,239.60	25.81%
Equity	99,904,428.32	70,757,874.50	41.19%
Income	94,164,022.67	84,159,032.29	11.89%
Expenses	67,349,864.33	57,191,550.26	17.76%
Appropriations -			
Current	92,819,110.00	83,986,766.00	10.52%

C. Auditor's Opinion on the Financial Statements

The Auditor rendered an adverse opinion on the fairness of presentation of the financial statements of the Municipality of San Agustin, Isabela for calendar year 2016 in view of the significant effects of the errors and deficiencies noted in account balances as discussed in detail in Part II of the report summarized as follows:

Finding No.	Nature of Deficiency/ies	Accounts Affected	Amount Involved
3	Unutilized LDRRMF not transferred to trust liability account	Trust Liability - LDRRM	2,059,747.50
		Government Equity	
8	Unaccounted balance of Cash in Bank-LCCA between the FS, GL and Bank Reconciliation Statements	Cash in Bank-LCCA	1,434,644.12
9	Unaccounted difference of Advances to Officers and Employees account against the subsidiary ledger balances	Advances to Officers and Employees	11,155,728.79
13	Discrepancy between reciprocal accounts due to error in recording transactions	Due from Other Funds	3,045,814.71
		Due to Other Funds	2,932,868.19
14	Abnormal account balances	Due to BIR	339,486.41
		Due to GSIS	24,670.18
15	Error in recording trust liabilities	Accounts Payable	494,553.67
		Due to GSIS	2,315.00
		Due to LGUs	200,832.96
17	Unreconciled Obligations due to various accounting lapses	All Expenditure account	7,049,456.10
		Government Equity	

For the above errors and deficiencies, we have recommended the following:

Finding No. 3 – Draw JEV to take up the transfer of LDRRMF to trust liability account.

Finding No. 8–Trace unaccounted difference and effect adjustment, if necessary.

Finding No. 9–Trace all entries in the SL, effect adjustment, if warranted.

Finding No. 13-Prepare a reconciliation report of reciprocal accounts and take up the necessary adjustments in the books of accounts to ensure that all reconciling items are resolved and/or adjusted on a timely basis and perform constant review and appraisal of transactions to deter error and omissions.

Finding No. 14-The Municipal Accounting Office be cautious in recording transactions to avoid production of misleading financial information.

Finding No. 15-Re-classify the accounts to its appropriate account titles for fair presentation of financial reports.

Finding No. 17 –The Municipal Accounting Office and the Municipal Budget Office be required to reconcile the stated difference, take up adjustments, if necessary in order to produce accurate and reliable financial information.

D. Summary of Significant Findings and Recommendations

1. A total of ₱1,614,117.00 from 20% Development Fund were utilized for payment of wages of Job Order employees.

We recommended that the officials and employees ensure that the identified programs/projects are those mentioned under DILG-DBM Joint Memorandum Circular No. 2011-1 and Section 287, of RA 7160.

2. Inappropriate charges against SEF of ₱46,665.00 and expenditures for sports activities totaling ₱456,952.00 intended for athletes but largely utilized for the benefit of teachers.

We recommended that management strictly observe the provisions of Section 272 of the Local Government Code, Article 363 of its IRR and DECS, DBM and DILG Joint No. 01, s. of 1998 in utilizing Special Education Fund. If necessary, cash advances for Dep-ed activities drawn from LGU funds be made by the Municipal Treasurer or designate a Special Disbursing Officer for this matter. The Local School Board (LSB) be required to prepare a balanced budget for the SEF giving priority to the much needed classroom improvements and learning facilities for a better quality of K1 to 12 program of the Dep-Ed. Utilize fully the SEF for its intended purpose.

3. The municipality failed to approve the mandated ten (10) – Year Solid Waste Management Plan (SWMP) contrary to Section 16 of Republic Act No. 9003 depriving its constituents of a systematic and comprehensive solid waste management program to promote public health and ensure protection of the environment.

We recommended that management a) exert effort to expedite the completion of the 10-year Solid Waste Management Plan for early identification of issues/gaps in complying with RA No. 9003; b) identify and prioritize programs that comply with environmental laws on preserving and protecting the environment.

4. The establishment of Violence against Women's (VAW) Desk in each barangay was not undertaken hence, concerns of women may not be addressed.

We recommended that management give priority in establishing VAW Desk in every barangay to address concerns of violence against women.

5. More beneficiaries could have availed financial assistance from the municipality totaling ₱2,764,774.77 had management set specific guidelines in the grant and utilization thereon.

We reiterated our recommendation that the following remedial measures be undertaken to regulate the giving of financial assistance: a) Formulate a policy for the granting of financial assistance to its constituents taking into consideration the need and budget for the year. Beneficiaries should be properly screened giving priority to

the less privileged constituents; b) Coordinate with the social welfare department to assess requests for medical/burial assistance by way of social case study reports so that only deserving indigents are assisted and served; c) The financial assistance should be set at an amount that will ease the financial burden of the beneficiaries; d) Financial assistance granted should be made by check payable to beneficiaries and duly acknowledged by recipients; e) The Municipal Budget Office should refrain from charging financial assistance against other maintenance and other operating expenses account because this practice depletes the budget for intended activities; f) Request for assistance for construction materials must be coursed through the General Service Office of the Municipality so that the usual regulation or procurement be applied and delivered directly to requesting barangays, organizations or whoever requested them; g) Management should be vigilant in ensuring that financial assistance shall be properly receipted and documented and stop the practice of reimbursement of cash assistance requested from elective officials; and h) Refrain from granting financial assistance for Christmas program and for prizes since these are personal in nature and should not be charged against the coffers of the LGU.

6. Cash advances for Intelligence fund totaling ₱960,000.00 remained unliquidated , and subsequent cash advance were allowed despite non-liquidation of previous advances.

We recommended that management refrain from drawing cash advance for IF/CF if Liquidation Report of previous withdrawals remained not submitted. A copy of credit notices or the receipt copy of liquidation report from the ICFAU, COA Chairman's Office be furnished to the Municipal Accountant and the Audit Team to substantiate various credits/liquidations made for intelligence purposes and that appropriate adjustment could be made.

7. Uncontrollable reimbursements/payments for gasoline ₱4,263,764.39, meals and snacks ₱1,500,450.25.

We recommended that the Municipal Mayor, being the head of the local government unit, protect and conserve the municipality's funds and resources by exercising prudence in utilization thereof. Moreover, we recommended that the Municipal Accountant enhance the review process particularly in the processing of claims prior to payment.

8. Irregular expenditures for trainings and seminars - ₱173,020.00

We recommended that management refrain from utilizing public funds for purposes not within the dictates of good governance.

9. Salaries and wages of job order employees performing administrative support were charged against MOOE accounts to evade incurrence of deficiency under personal services expenditures.

We recommended that the Municipal Budget Officer ensure that wages of these job order personnel performing administrative support be included in the appropriation for personal services.

10. Deficiencies of ₱67,080.00 on various infrastructure projects totaling ₱11,648,244.49

We recommended that management require the contractor to refund the amount of ₱67,080.00. Strictly follow the provision of Section 3.i of R.A. 9184 showing the detailed engineering on all items in the Program of Work.

11. Non-compliance of the municipality to the provisions of COA Circular No. 2013-004 and full disclosure policy of the Philippine Constitution hence, public is not fully informed on the government projects/programs and activities being implemented.

We recommended that management: a) adhere to the provisions of COA Circular Nos. 2013-004 and 2016-003 on the specifications for the signboards, tarpaulins to be posted where the projects/programs and activities of the local government unit in order to fully adopt the full disclosure policy governing public interest; b) furnish the Audit Team with a list of all on-going government projects/programs/activities and those that are to be implemented during the year with complete details as stated in the Circular; and c) refrain from incurring expenses in violation of the afore-cited Circular as this shall be disallowed in audit and subject to administrative disciplinary action provided under penalty clause of the same COA Circular.

Other significant deficiencies noted in audit are presented in Part II of the Report.

E. Summary of Total Audit Suspensions, Disallowances and Charges

	Notice of Suspension	Notice of Disallowance	Notice of Charges
Beginning Balances Jan 1, 2016	₱ 38,185.00	₱1,770,000.00	-
Issuances	3,619,200.00	1,422,000.00	-
Total	3,657,385.00	3,192,000.00	
Settlements	3,649,200.00	50,000.00	-
Ending Balance, Dec. 31, 2016	₱ 8,185.00	₱3,142,000.00	-

F. Status of Implementation of Prior Year's Audit Recommendations

There were nine audit recommendations contained in the Calendar Year 2015 Annual Audit Report, two were fully implemented, five were partially implemented, leaving two recommendations not implemented. Some recommendations which were partially or not implemented were reiterated in this report with changes in amounts and subject to existing condition during the year.