

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of San Miguel, Bohol was created under Executive Order No. 107 issued by the late President Carlos P. Garcia. As of 31 December 2016, it has a personnel complement of:

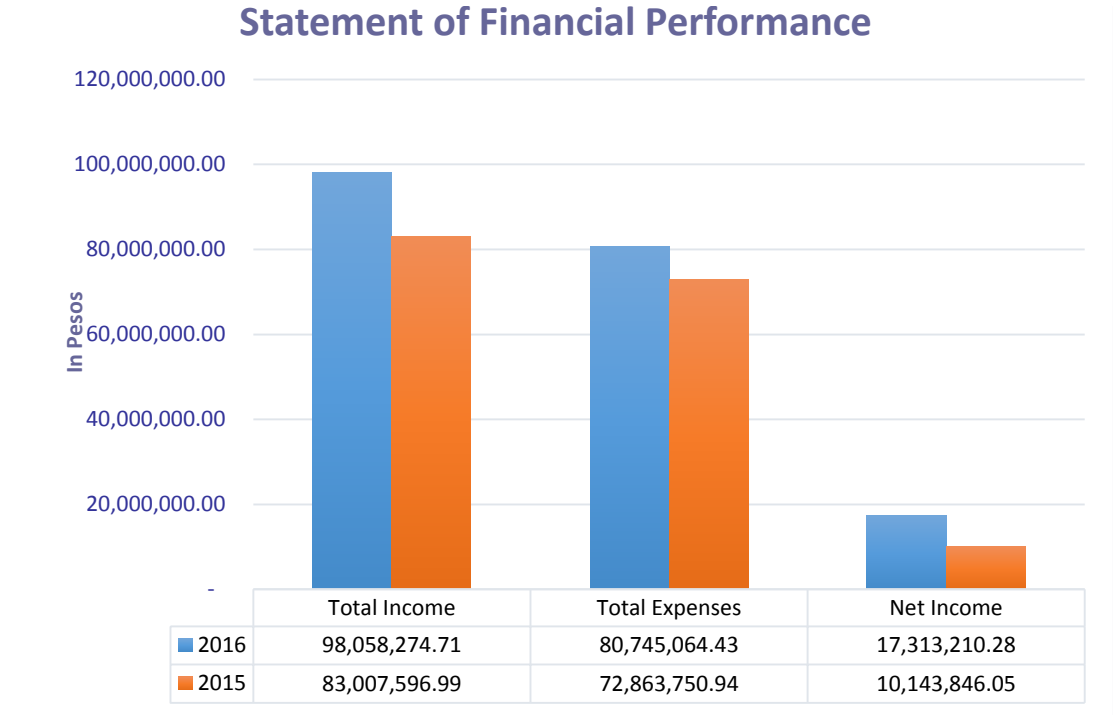
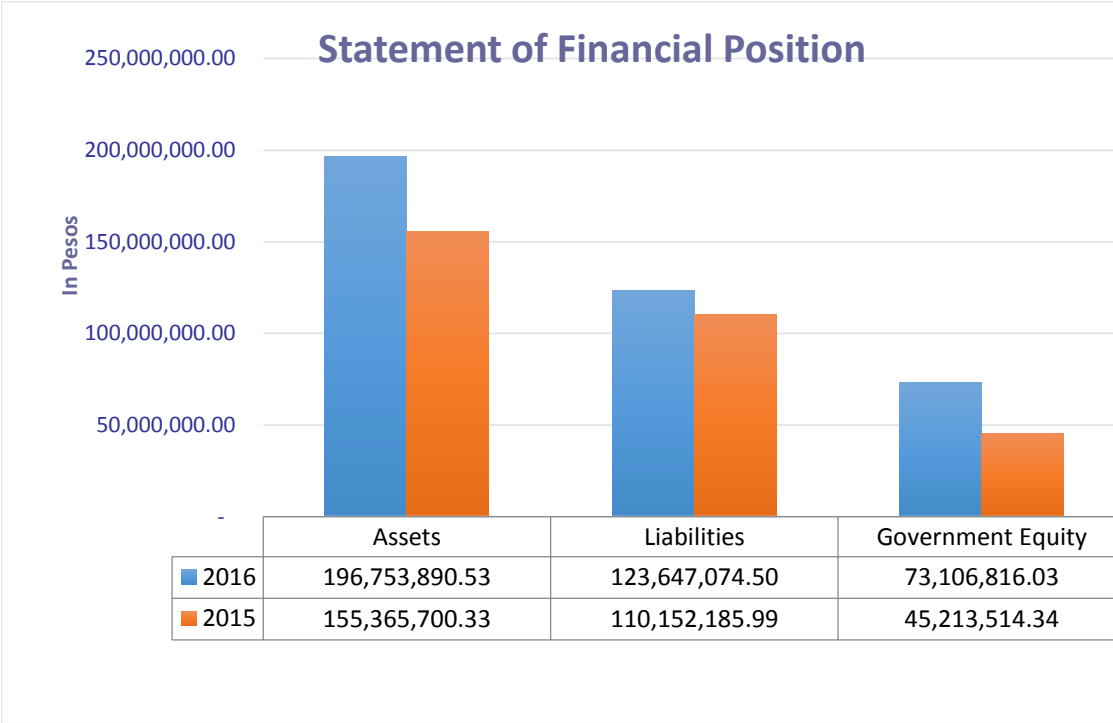
<i>Nature of Appointment to Office</i>	<i>Quantity</i>
Elective Officials	11
Permanent Positions	65
Casual Position	1
Job Order	161
Contractual	34
Coterminous	1

The Municipality derives its mandates from Republic Act No. 7160, known as the Local Government Code of 1991. The Code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the welfare and the provision of basic services and facilities to its constituents. It is committed to discharge its mandated functions and responsibilities with the highest degree of integrity, dedication and nationalism, and to deliver prompt, responsive and quality service to its constituents.

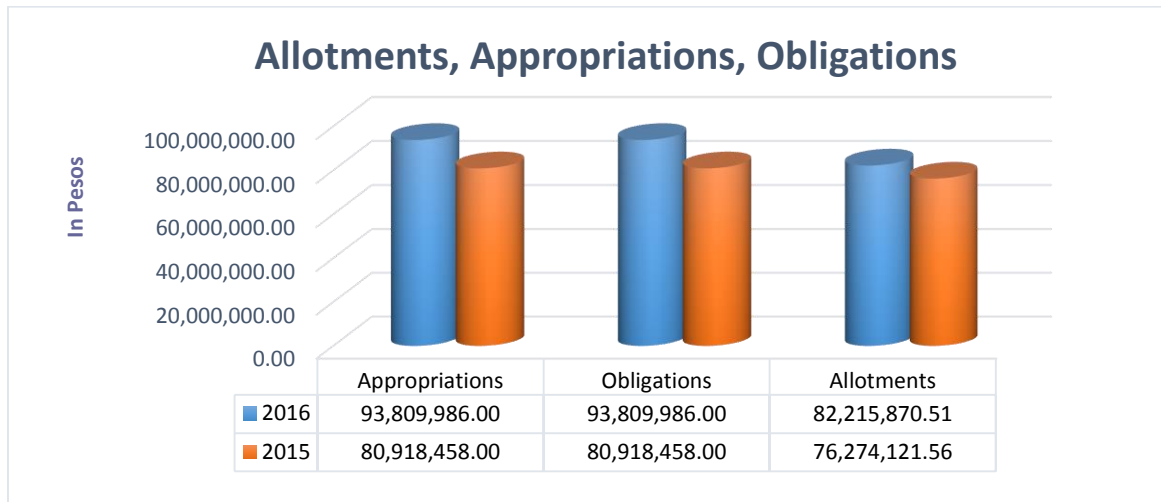
To improve the standard of living of all the constituents had been the main thrust of the Municipality. To attain this noble goal, Municipality uses its resources to the maximum level by implementing the programs and projects for the benefit of its constituents.

FINANCIAL HIGHLIGHTS

Comparative analysis of the Statement of Financial Position as graphically illustrated in the succeeding page shows an increase in Assets, Liabilities and Equity. The same thing also goes to the Statement of Financial Performance which exhibits increases in Income, Expenses and Net Income.



The following graph also illustrates the increase in Appropriations, Allotments and Obligations during the year:



SCOPE OF AUDIT

The audit covered the operations of Municipality of San Miguel, Bohol for the period January 1, 2016 to December 31, 2016. The objectives of the audit were to ascertain the fairness of presentation and reliability of the financial position and results of operations, to determine whether the programs, projects and activities for the year were attained in an efficient, economical and effective manner. We also conducted compliance audit to check the validity and propriety of the transactions and adherence to pertinent laws, rules and regulations.

AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality for the year 2016 due to the deficiencies enumerated below:

1. Existence, valuation and accuracy of the recorded Property, Plant and Equipment (PPEs) and Inventories totalling ₱102,330,748.62 and ₱916,282.16, respectively, remained doubtful due to incomplete conduct of physical count of Inventories and PPE accounts and non-reconciliation of the results of the physical count with the accounting records.
2. Fund transfers of ₱2,038,001.02 granted to various barangays in CYs 2014-2016 remained unliquidated at year-end despite completion of the intended purposes thereof thus, understating the related expense account of the current year for expenditures incurred by the concerned barangays due to implemented projects.

3. Unserviceable properties totaling ₱1.017million were still carried in the LGU books thus, overstating the related Property, Plant and Equipment (PPE) and Inventory accounts.
4. Depreciation was not provided for the Property, Plant and Equipment (PPE) totalling ₱244,088.25 under the Special Education Fund (SEF).
5. Prior year check deposit was still not recorded in the books, as reflected in the year-end Bank Reconciliation Statement (BRS) thus, understating the Cash in Bank account by ₱8,977.21.
6. Stale checks totaling ₱5,986.00 were still included in the year-end Bank Reconciliation Statement (BRS) thus, understating the payable and cash in bank accounts.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The following are the summary of significant observations and recommendations in the audit and/or evaluation of the operations of the Municipality of San Miguel, Bohol for the year 2016:

1. Timely review, evaluation and inspection of implemented programs/ projects in CY 2014-2015 costing ₱51.5M as of December 31, 2015 were not facilitated due to management's failure to submit copies of perfected contracts, purchase orders and its supporting documents to COA, despite repeated verbal and written requests.
2. Of the ten (10) infrastructure projects implemented by the management in CY 2016, two (2) projects amounting to more than ₱3million were not completed on its target completion date.
3. Fund transfers from the Department of Interior and Local Government (DILG) for the Construction of Level III Water System, Local Road Concreting and Rescue Equipment/Vehicle totaling ₱9,000,000.00 were not yet implemented by the municipality as at year-end.
4. Of the Projects/Programs/Activities (PPAs) identified under the 20% Development Fund, only 63% or equivalent to ₱9million out of the ₱14.18million appropriated therefor, were expended by the management as of year-end due to partially implemented PPAs.
5. Decrease in realized income and increase in incurred operating expenses resulted to an increasing net loss by the San Miguel Hospital in the amount of ₱3.78million in CY 2016.

6. Decrease in income resulted to an increasing net loss by the Masanao Hilltop Resort and Restaurant in the amount of ₱0.334million in CY 2016.

SETTLEMENT OF ACCOUNTS

The Audit Team issued six (6) Notices of Suspension (NSs) and one (1) Notice of Disallowance (ND) for the municipality in CY 2016. The Status of Audit Suspensions and Disallowances as of December 31, 2016 is summarized below:

	Balance as of 01.01.16	Issued	Settlement	Balance as of 12.31.16
Notice of Disallowance	₱ 31,407.80	₱1,875,000.00	₱ 612,750.22	₱ 1,293,657.58
Notice of Suspension	17,000,341.98	468,613.00	8,277,787.45	9,191,167.53
Notice of Charge	0.00		0.00	0.00
Total	₱17,031,749.78	₱2,343,613.00	₱8,890,537.67	₱10,484,825.11

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S RECOMMENDATIONS

Of the forty-five (45) prior years' audit recommendations, fifteen (15) were fully implemented, fourteen (14) were partially implemented, three (3) were not implemented and thirteen (13) were reiterated in CY 2016 AAR, thus, no longer included herein.